



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Regional banking services

SYDNEY

Wednesday, 18 February 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)
Mr Wilton (Deputy Chair)

Mr Albanese	Mr Martin
Mr Anthony	Mr Mutch
Mr Causley	Dr Nelson
Mrs Gallus	Mr Pyne
Mr Hockey	Dr Southcott
Mr Latham	Mr Willis

Matter referred to the Committee:

Alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional branch network.

WITNESSES

AVELING, Mr Anthony Robin, Acting Chief Executive, Australian Bankers Association, Level 42, 55 Collins Street, Melbourne, Victoria	5
BOTT, Mr William Bawden, President, Shires Association of New South Wales, 217 Clarence Street, Sydney, New South Wales 2001	52
CARROLL, Mr Stephen, Associate Director, Australian Bankers Association, Level 42, 55 Collins Street, Melbourne, Victoria	5
COGHILL, Mr Ian, Member, Local Government and Shires Association, GPO Box 7003, Sydney, New South Wales 2001	52
HEITMANN, Ms Debra Kaye, Chief Executive Officer, Australian Council of Businesswomen, Suite 10, Level 9, 100 Walker Street, North Sydney, New South Wales 2060	82
JORDAN, Ms Beverley Anne, Economist, New South Wales Farmers Association, GPO Box 1068, Sydney, New South Wales	89
McBRIDE, Mr Shaun, Policy Officer, Local Government and Shires Association of New South Wales, 215 Clarence Street, Sydney, New South Wales	52
McGUIRE, Mrs Norah, National Treasurer, Australian Pensioners and Superannuants Federation, Level 2, 619 Elizabeth Street, Redfern, New South Wales	67
O'BRIEN, Mrs Alison, President, Goulburn Branch, Country Women's Association, PO Box 15, Potts Point, New South Wales	44
SALT, Mr Bernard Joseph, Director, KPMG Management Consulting, 161 Collins Street, Melbourne, Victoria	5
SHERGIS, Mrs Patricia Anne, Member and Past Secretary, Study and Investigation Team, Country Women's Association of New South Wales, PO Box 15, Potts Point, New South Wales	44
THOMAS, Mr Gerard, Policy Officer, Australian Pensioners and Superannuants Federation, Level 2, 619 Elizabeth Street, Redfern, New South Wales	67
WALKER, Dr Gregory Allan, Faculty of Commerce, Charles Sturt University, Bathurst, New South Wales 2795	29
WOODS, Councillor Peter Robert, President, Local Government Association of New South Wales, 215-217 Clarence Street, Sydney, New South Wales 2000	52

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Present

Mr Hawker (Chair)

Mr Albanese	Mr Pyne
Mr Anthony	Dr Southcott
Mr Causley	Mr Willis
Mr Martin	Mr Wilton

The committee met at 9.24 a.m.

Mr Hawker took the chair.

CHAIR—I declare open this hearing of the House of Representatives Standing Committee on Financial Institutions and Public Administration inquiry into alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional bank branch network. Since deregulation of the banking industry, banks have responded to pressures of competition by introducing measures to reduce costs and maximise profits. One of these measures involves the downsizing or closure of many branches in rural and regional areas.

Forecasts suggest that this process of rationalisation will continue. The loss of traditional branches and banking services has a significant impact on individuals, businesses and communities concerned. However, many communities have rallied and are actively involved in finding and establishing alternative ways of accessing services.

The aim of this inquiry is to assist in that process. We will be looking at the banking needs of both individuals and businesses in remote and regional areas. The impact of the closures is uneven across communities and we are mindful that it may be particularly disadvantageous for certain sectors, including the elderly and recipients of government transfer payments.

We will pursue developments related to section 96 of the Wallis report, which was that the governments expedite the examination of alternative means of providing low cost transaction services for remote areas and for recipients of social security and other transfer payments. In seeking solutions to the problems created by the rationalisation of bank branches, we will be exploring both institutional and technological alternatives to banking and like services. There are already a number of alternatives in place in some regional and remote areas, many of which are operating quite successfully.

Credit unions, for example, have been established in several communities, and we will be visiting some of these communities and trying to identify factors that assist in their successful establishment or alternatively which impede their establishment or limit the degree to which they can provide services. This includes legislative and other regulatory impediments.

A number of strategic alliances have been formed between credit unions and other financial institutions to offer specific services to rural customers. Some local and state governments are investigating ways of sharing facilities or establishing one-stop shops which may provide both government and banking services. The committee is very interested in these developments and agencies which provide another alternative to traditional branches. While these help satisfy the personal banking needs in these communities where they operate they do not serve the banking needs of businesses.

We will be looking at ways of expanding agency services where they do exist and establishing them in areas where they do not. For instance, we will be looking closely at services offered by public institutions such as Australia Post and considering how these may be extended. We will also be looking at the role private organisations may play in operating agencies.

In addition to the more traditional institution alternatives to banking services, the committee will also consider how kiosk banking or mobile banking can help fill the gap left by the closure of full branches. We will also be examining initiatives from overseas, including the Farmer Mac scheme in the United States.

Technological alternatives clearly have a major role in extending the access those in rural and regional Australia have to banking services. Electronic banking facilities, such as ATMs and EFTPOS are already widely available, particularly in metropolitan areas. Telephone banking offers a range of services, as does the Internet. Smartcards are being trialled in many places and being slowly introduced to others. Although new technologies are very promising and may indeed be the future of banking, the committee is aware of the need to distinguish between their potential and the reality of their availability.

Not all communities have ATM or EFTPOS facilities, and even where they are available the services they provide are limited. Telephone banking is costly and often involves waiting, which again involves a cost. While banks are increasingly offering services via the Internet, many rural areas simply do not have the infrastructure in place to allow full access. Where that access is available it is often slow and costly.

The committee will be looking at ways of resolving some of these concerns and we will consider issues relating to the roll-out of the necessary technological infrastructure and we will assess the contribution being made by schemes already in place and consider ways of enhancing their effectiveness. We will look at questions relating to the cost of access to the new telecommunications network and the equity implications of these costs. We will be looking at ways of ensuring access for people with a disability and we will be considering ways of providing education in electronic banking and posing questions about who should be responsible for the cost and conduct of such programs.

We will be searching for answers to questions about how to provide access to banking services for those people for whom electronic banking services are simply not an option. Given the impact the closure of banks has on communities, it is not surprising that the announcement of an impending closure is usually met with anger, particularly by those communities who, often for very good reasons, feel as if they have been badly done by by the banks. If the closure of a bank branch is inevitable, there must be better ways of going about the process. We will be looking for ways of minimising distress to communities involved and maximising their participation in the development of constructive strategies to ensure their continued access to financial services.

During this inquiry we will travel to all states and territories and we will be seeking the views and constructive suggestions of a range of governments, financial institutions, community organisations and individuals. We will visit regional and remote communities and hear first-hand from the people affected of the problems they face, and we will draw on their expertise for solutions. We will visit examples of successful initiatives which may serve as a model for others.

Our aim in this inquiry is to find answers. There will, of course, be no one solution to the problems that we find. We will be looking for that mixture of strategies which will certainly involve both institutional and technological alternatives. We recognise that any solutions will need to balance the need of banks and of their customers. These solutions will also require the recognition of mutual responsibilities and the cooperation of governments, industry and communities. Quite simply, our regional and remote communities deserve nothing less.

AVELING, Mr Anthony Robin, Acting Chief Executive, Australian Bankers Association, Level 42, 55 Collins Street, Melbourne, Victoria

CARROLL, Mr Stephen, Associate Director, Australian Bankers Association, Level 42, 55 Collins Street, Melbourne, Victoria

SALT, Mr Bernard Joseph, Director, KPMG Management Consulting, 161 Collins Street, Melbourne, Victoria

CHAIR—Welcome. The evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament.

The committee has received your submission, which has been numbered 80, and it has been authorised for publication. Are there any corrections or amendments you would like to make to the submission?

Mr Aveling—No.

CHAIR—Would you like to make a brief opening statement before I invite members to put questions to you?

Mr Aveling—Thank you, Chairman. We have just handed out a short pack which you might like to refer to as I go through my opening comments. I start off by saying that the Australian Bankers Association and its member banks welcome this inquiry, which, treated seriously, will allow governments, the community and banks to work together to address the consequences of the decline of parts of rural Australia. The intense interest from the community in the KPMG report which was commissioned by the ABA indicates that the delivery of services in small towns is a very important issue for regional communities, for governments and for private sector providers.

This morning I would like to quickly cover the extent and implications of the long-term population decline in much of rural Australia; how bank branch closures are a consequence of demographic change; how banks are advanced in offering alternatives; to point to some limited but important residual difficulties for people in rural areas; and, finally, to offer some potential solutions which could be addressed by representatives of providers and those adversely affected.

In a genuine attempt to help this inquiry and to help rural Australia, the ABA commissioned independent experts KPMG to give an objective picture of what is happening with the populations of towns in rural Australia. After all, it is difficult to come up with real solutions without having the facts on the table. What the KPMG research demonstrates is the unsurprising fact that demographic trends continue to change the face of regional and remote Australia, with provincial cities gaining at the expense of smaller communities, leaving the latter with an increased proportion of older people.

Of the 700 local government areas in Australia, 456 are in rural areas. Of that 456, 215 have suffered a decline in population, averaging 12 per cent over the past 20 years. As well, it is the younger people who

are leaving in the greatest numbers. In five towns treated as case studies by KPMG, there were decreases of between 32 per cent and 45 per cent in the number of people aged up to 24 years of age. Thirdly, for every 100 people who leave a town, local retail spending declines by half a million dollars per year. Taken across the 215 shires: they have lost 105,000 people over 20 years, reducing local retail spending by \$550 million.

That is not to say that many rural areas are not growing nicely, especially where tourist industries are developing. However, it is the rural communities within the wheat-sheep zone that have had the greatest population decline, much of this driven by farm amalgamations to achieve economies of scale. Of course, this increase in the size of farms is necessary and desirable, enabling increased efficiency and investment in sustainable agriculture.

Looking at page 3 of the pack that we passed out, a consequence of the way Australia's demographics are changing is that the demand for a broad range of goods and services is shifting away from smaller communities to provincial centres. This is leading to many businesses closing and community facilities, such as hospitals, schools, doctors, shops, service stations and banks, all being withdrawn. As per the KPMG research, generally the order in which businesses closed appears to be the local retail establishments, such as clothing, electrical, bakery, butchers, et cetera, with banking services being one of the last to go.

Several of the towns have had other services removed, particularly local offices and depots for lands, water, council, electricity, Telstra and similar government services, as well as a scaling back in education, rail and local newspaper services. Quoting from the NFF Rural Communities Project, they say:

Rationalisation of services continues to be a key strategy...of governments to achieve...cost restraint.... This has involved a centralisation and regionalisation of services into larger regional centres. This strategy is having an increasingly detrimental effect on the local delivery of services in small towns and in rural communities.

It is the loss of these services and the associated employment that has contributed to the decline of bank business. And, to emphasise the point: the closure of bank branches is not the cause of problems in smaller country towns; generally, banks are one of the last businesses to leave, and this is as a consequence of the decline in population, business and government services.

Perhaps timely—and thanks to one newspaper—I noticed something this morning in the *Australian* referring to Gunnedah. It says:

There were tears, anger and frustration in the northern NSW town of Gunnedah yesterday as 53 miners at Vickery colliery absorbed the news that soon they would be out of a job.

At the end of the article it says:

The closure comes at a bad time for the town with another mine, the Preston colliery, expected to close soon and the closure last year of the town's biggest employer, the abattoir.

Gunnedah Mayor Geoff Marshall said the closure was a severe blow for a shire already coping with other job losses.

The point is that the closure of bank branches did not cause this problem, but they and other businesses in the

area are bound to suffer as a result.

On page 4 of the pack that you have, the Australian banking industry maintains the most extensive retail network in Australia, and I would draw your attention to chart A which is at the back of the pack. It is the second last page. There are currently nearly 6,000 branches and agencies in rural Australia. The chart that you have there shows the towns where banks are represented; it does not show the total number of bank branches because, obviously, there are multiple branches in many of these towns.

Final chart, B, which needs to be read in conjunction with it, shows where significant demographic change is occurring. You have the colour version there, and you can see the parts of Australia where there has been a decline in population over the last 20 years.

Similar to other providers of retail services in a competitive environment, the banking industry cannot ignore the commercial reality of demographic change. But banks do recognise that they must provide safe and secure financial services for the whole community, not just for those in larger centres. We maintain that banks are responding well by providing new services to offset local branch services.

Probably more than any other industry, banks provide customers with alternative services. If a country hospital closes, patients have no option but to go to the nearest regional hospital. If a bank branch closes, customers still have alternative and efficient ways of accessing their accounts and undertaking transactions.

The financial system inquiry reported in 1996 that only 17 per cent of transactions take place in a branch. Of the 83 per cent conducted outside branches, 39 per cent were through cheques and credit cards and 44 per cent were via ATMs, EFTPOS and telephone or PC banking. Twenty years ago, branches opened between 10 a.m. and 3 p.m. There were no ATMs. Now there are approximately 2,500 in rural Australia. There was no EFTPOS 20 years ago. Now there are approximately 75,000 terminals in rural Australia. There was no 24-hour telephone banking. Now rural customers make around 40 per cent of calls to open accounts, get cheque account balances and recent transaction details, transfer money between accounts, make credit card payments, pay bills, order cheque books and request statements. There was no bill-pay, allowing customers to instruct their bank by phone to pay bills by transfer from their account. There was no PC on-line banking, which has been so useful to remote properties, and there were no roving, mobile managers coming to you.

I refer to page 5. Let us put the issue into perspective. Most of Australia—metropolitan, provincial and country—is growing and is well catered for with banking services. It is only part of Australia that has a declining population. Even here, most people can access banking services more efficiently than they could 20 years ago. It is only a relatively small proportion of the rural population for which the provision of financial as well as government and other services remains a challenge. That is a small but an important group.

Many elderly citizens find it difficult to adapt to electronic banking, even telephone banking. Deposits of cash and cheques can be difficult for small business, as indicated by the chairman. Access to cash can be a problem if EFTPOS facilities do not exist or where cash outflow is greater than inflow for the merchant.

Fortunately, there are potential solutions. Again, picking up on the chairman's words, no one solution

is going to fix this problem. But there is a range of potential solutions that will contribute to a solution. The first is agency arrangements, which involves installing into a local business an on-line PC which is connected to the bank's main system to allow conduct of basic transactions, such as cash and cheque deposits and cash withdrawals. The second is giroPost, which has 2,863 offices and postal agencies and is already used by many banks.

If Australia Post were able to accommodate banks on an individual town basis rather than only nationally, many problems relating to depositing cheques and getting cash in rural areas would be resolved. In saying that, we recognise the need for giroPost to act on a commercial basis.

Looking down the track: smart cards have the potential to resolve many rural cash problems by transferring funds by phone from bank accounts onto smart cards, which could be used for minor purchases such as newspapers, phone calls, foodstuffs, cinema tickets and petrol. As well, member banks are able to undertake various customer education programs, including advertising, direct mail, demonstrations of new technology, customer forums and working with pensioner groups.

The final potential solution we would like to investigate is for banks, on a competitive and commercial basis, to become part of the one-stop shops, which provide a variety of services and which we referred to earlier. Private and public sector providers of services have similar problems to banks in providing access to services in small communities. Unless overheads can be kept to a minimum, cost generally precludes the provision of services to small communities.

As was indicated by the chairman, state governments are addressing this issue by developing various versions of these one-stop shops for the delivery of their services to small communities. These range from unmanned electronic kiosks in Victoria to staffed government agencies throughout Queensland, which provide a full range of government services. The Queensland model has been in operation since the early 1990s and there is a similar pilot program operating in New South Wales. South Australia has also recently put in place a pilot program.

At the federal government level, Centrelink are proposing to provide one-stop shops for federal government services. As well, the rural communities program managed by DPIE aims to assist communities with identifying services and service needs, and also to provide funding to assist setting up communications technology to enable electronic access to services in local communities.

The focus of the development of these various models is on providing access to government services. The consideration of providing access to private sector services via these agency models is still a second order issue in their development. But, given the importance of access to both private and public services to these small communities, it may be appropriate for this committee to recommend that these programs be extended to include key private sector services.

In summary, in many parts of rural Australia the population is both declining and ageing. This is leading to a widespread reduction in business and services. Due to the breadth of the problem, which goes way beyond the provision of financial services, only governments can provide the necessary strategy to manage the situation and provide much needed support for those adversely impacted by the changes.

The ABA and its member banks wish to work cooperatively with this committee and others to help develop practical solutions to the problems confronting rural customers. In particular, the ABA supports the establishment of a working party comprising representatives of federal and state governments, Australia Post, the ABA, member banks, other financial institutions and appropriate community groups to consider the potential for cooperation between government service agencies and financial institutions in providing standard transactions in rural areas not served by bank branches, the wider use of giroPost to provide standard transaction services in areas not served by branches and the development of the all-important education programs to encourage consumers to use alternative methods of banking and other services.

Thank you, Chairman. We welcome questions from members of the committee.

CHAIR—Thank you, Mr Aveling, for that very comprehensive introduction. Can I assure you that this committee does treat this inquiry very seriously. From your opening remarks, I think we ought to make that clear right from the very beginning. Mr Carroll and Mr Salt, do you wish to add anything?

Mr Salt—Not at this stage.

CHAIR—I commend you on the work you have done with that report. It is a very important contribution to getting some facts on what is really happening. I thought we might talk a little bit about some of the questions that you have raised. Could you give us a detailed explanation of the processes that you go through in deciding to close a bank branch, particularly the last one in town, because this is one of the areas that is always a vexed question? The town generally gets very little warning and it causes a lot of heartache.

Mr Aveling—The general process is that an individual bank will review the trends in the area. They will look at what has been happening to their business over a long period of time and they will make projections as to what is likely to happen in the future. Not unsurprisingly, banks like profitable branches. If the conclusion that an individual bank comes to is that that bank branch is no longer profitable or will not be profitable in the near future then what happens is that, within the bank, work is done on what are the alternative services that may be provided in that particular location. This may be the provision of EFTPOS terminals or it may be the provision of education to the local community. It tends to happen that the announcement is made that the bank is closing and then banks normally work with the local community and discuss with them the suggestions that they have on how the impact of that closure can be ameliorated in the particular country town.

CHAIR—Because there will be increased demand on other electronic facilities, is any consideration given to allowing an increased number of transactions without the extra charges that normally come?

Mr Aveling—No. To my knowledge—and it is an incomplete knowledge—I do not know that any particular bank has looked at providing additional transactions.

The key here is that with the entry of new players into the financial arena there is a lot more competition out there. A decline in margins has made it more difficult to have the old cross-subsidisation of services that used to occur. Banks will generally look across Australia in terms of their pricing policy and not make particular exceptions for any one area because that is a cross-subsidisation that would have to be paid

for by others.

CHAIR—Coming back to the introduction of new technology like EFTPOS and so on, clearly that is seen as reducing costs; it is obviously, therefore, making it more profitable. How much of that is considered to be to the benefit of the area that is losing the service in terms of giving something extra back?

Mr Aveling—You would have a situation in a town, particularly, as you mention, where it is the last bank in town, where the provision of a full banking service is no longer profitable. The option is just to walk away entirely; but that does not happen these days with electronic services. So all it means is that banks are able to provide not a complete banking service but a largely complete banking service to those areas on a profitable basis.

You made a comment in your opening remarks about telephone banking and the cost of that. I am not quite sure of the basis for your comments but telephone banking—by most banks, if not all banks—is actually on a free basis.

Mr CAUSLEY—For how long?

Mr Aveling—I do not know.

Mr CAUSLEY—Usually there is a carrot and the sting comes later.

Mr Aveling—I have never been one to look into the crystal ball. But it has enabled banks to lower their costs and because they have been able to lower their costs, which comes back to the Chairman's point, it has allowed them to continue to offer a service. At the end of the day it will come down to competition. If there is adequate competition out there—and we would argue there is very strong competition at the current time; it is going to get more intense post-Wallis: banks will not just be able to say, 'We will charge,' and then find that there is going to be a competitor out there that will not charge; they will lose their business—that is what keeps us all honest.

CHAIR—I wish to move into this whole question of providing a service in these small centres. I want to raise things that maybe you have never liked to consider before. When the decision is made to downsize, is it possible—where a small centre is going to be affected—that some coordination, through the ABA maybe, is considered between the different banks? I guess that in the past they would say, 'It is commercial competition,' but, nonetheless, it would be to try and ensure that there is a better spread of branches in country areas.

The other point is that, given that you can go to an ATM and draw from any one of a number of financial institutions, what are the prospects of setting up a multi-franchise branch so that, instead of having three bank branches in town and you are going to get rid of one, you might say, 'We can secure this,' by saying, 'We can have three different terminals or whatever is needed in one building'?

Mr Aveling—In answer to your first point, I can look into that. My understanding of the ability of banks getting together to work out who should remain and who should not goes back to when I was directly

involved some 10 or 20 years ago, and that would have been illegal. It probably still is because it would be collusion and probably contrary to the Trade Practices Act. I believe that still to be the case but I cannot be sure; I would have to check on that.

CHAIR—Would you, through the ABA, be prepared to look at having some changes put in place so your members could consider taking that more cooperative approach where it is going to have a very direct impact on a number of communities?

Mr Aveling—We are happy to look at it. We will have a look at that and we will come back to the committee. As I say, banks—financial providers—are all very competitive.

CHAIR—We appreciate that.

Mr Aveling—I certainly know from times in the past that it would have been quite useful for banks to say, ‘We will close this one and leave another bank in town if in the other town there is going to be sufficient business left over for us,’ but whether that is legal I really do not know.

CHAIR—It has just been pointed out to me that the ACCC could give an authorisation to do that.

Mr Aveling—We will take that on board and have a look at it.

CHAIR—Will you consider that as a policy issue as well for the ABA?

Mr Aveling—Yes. We will do that. As for multi-franchise branches, when we are talking about these one-stop shops it would be a form of low-cost distribution. What you have is one set of overheads—one person, one roof over your head and one electricity bill—to provide a range of government services.

CHAIR—What about banking services?

Mr Aveling—Yes, we are suggesting that banking services could be in there as well. That would be on a competitive basis by banks. They would bid for a place in that one-stop shop. There is nothing to say that, if there was sufficient business, there should not be more than one bank in that town. There may be more than one terminal. This is pretty much conjecture, but what we are saying is that there seems to be the opportunity.

We believe that the solution to some of problems here will only come through commercial reality. You need win-win situations for everybody. If we can get the cost of delivery down—whether it is government services or financial services—then there is the opportunity.

In terms of banks actually getting together and providing services out of the one bank branch, I think that is pretty unlikely. Each bank has its own brand and customer base. I think a lot of customers would not find it very suitable either walking into a bank that has NAB, Westpac and Commonwealth all on the front door.

CHAIR—It depends; if the alternative is nothing.

Mr Aveling—That is why the one-stop shop may be the alternative.

Mr MARTIN—Just adopt the Wallis report in terms of the one stop. A lot of banks are there. Do what Don Argus suggests; let the banks buy out one of the others. It reduces the numbers, does it not?

CHAIR—That is outside the scope of this reference.

Mr Aveling—Yes. I do not think I will comment on that one, but yes.

Mr WILTON—Has the ABA engaged in any discussions with any of the state based or national councils of the local government organisations to discuss a local government based one-stop shop?

Mr Aveling—I will get Stephen to answer that, but the brief introduction to that is, only very briefly. I think that is already one of the benefits that you can point to from this committee. It forces us to think outside the square, and what are the other solutions? We do not know the answers yet. We had the main banks working with us on this submission and we were all brainstorming about what are the different things we could do. This came up as a suggestion. Hence, we are putting it forward. Stephen has had some brief discussions with people.

It has also been quite interesting that, as a result of the KPMG study and the publicity given to the fact that this inquiry is on and the ABA is appearing, we have had one or two phone calls from people saying, 'We would like to work with banks in terms of providing services.' Competition is alive and well out there.

Mr Carroll—We had some preliminary discussions just broaching the issue, letting people know that we are recommending consideration of this approach to this issue and looking for a bit of feedback. The general response is that they think that it addresses the broader issue of the problem of accessing a whole range of services. They are very interested in working through and seeing from, a federal level down, state government and local government working together to sort out whether or not these sorts of options would be viable.

In response to the launching of the KPMG report, we had a call from a local government reform group in South Australia. In South Australia they are looking at—and some members here would probably know more about this than I do—the amalgamation of shires along a far more voluntary approach than perhaps what happened in Victoria. Among the issues that they are grappling with is: what is the impact of that on the local government areas that lose a local government authority? Typically, if a local government authority was based in a small town that had one bank branch there, all the banking was done through that bank branch. When the local councils left or amalgamated and the accounts of that local government authority were taken into a regional centre, that had a major impact on the viability of the local branch. There is a lot of interest out there at the local government level in this proposal.

Mr ANTHONY—You mentioned before the increased competition. Part of the reason with increased

competition is that you cannot cross-subsidise. That is the argument introduced in traditional areas, and that would obviously be the case that you have articulated with a lot of your rural banks. That is why the service is not there and you cannot continue to maintain a subsidy. But how do you rationalise it at the moment when, over the last three years now, we have seen the biggest bank profits ever? This is amongst rural communities in particular, where the argument you have used is that either the rural community is declining in population or it is getting more elderly. That is the case in many rural areas, but you would have found from your KPMG survey that on the coast the population is actually going the other way, yet banks are still closing. So I ask you, Mr Aveling: what is the argument the ABA uses in particular regions such as coastal regions where population is increasing? Admittedly, it might be getting more aged but it is increasing, yet we are still seeing bank closures though we are still seeing record profits, and you are trying to win public confidence in these particular communities. The argument of competition does not really wash.

Mr Aveling—I would answer that in terms of there being actually a hell of a lot of competition out there, whether it is between the major banks, regional banks, credit unions, building societies, finance companies or GE Capital. Whilst not providing a total service, there is a whole range of people out there who, more and more—and they will be doing it post-Wallis—are picking up lines of competition so that they can be a low-cost provider in those areas. The mortgage originators, of course, are the key—the one that everybody looks at in terms of what that has done to the marketplace—and that has obviously reduced everybody's margins and made the business less profitable.

In terms of the profitability, overall, of banks, it tends to be one of these things: you are damned if you are profitable and you are damned if you are not. I remember a few years ago we were being damned for the fact that we were totally inefficient and were not making a decent return on the capital that was invested. These days you tend to get into trouble for supposedly making too much profit. Banking is a cyclical business and the profitability will be cyclical. Banks are no different from other businesses, though, in that they need to be efficient and it is very important for this country that we have a safe and secure banking system. That means that there must be a reasonable level of profitability. I think it is excellent, really, in a sense, when you look north of the borders these days to see what happens where banking systems have not been strong, where they have not had strong profitability and where they have had their lending diverted into areas that interest groups have believed will be in the interest of the economy—that you have got some very weak banking systems. We have got a strong banking system—

Mr ANTHONY—I do not think we are arguing with the prudential requirements that the banks have been doing here. That is obvious, but it is the service—that is what this inquiry is about—that is being provided in rural communities, which is diminishing. One of the arguments was based on increasing competition. It is very difficult for the public—and you would know this—in those particular communities where the banks have been making very good profits—and good luck to you—but the services are diminishing there. Part of the rationale is that we will pick it up with telephone banking, we will pick it up on the Internet and we will pick it up elsewhere, but you still cannot deposit cash through these facilities.

Mr Aveling—No. In our submission we have pointed out that there are some residual remaining areas where the service obviously declines when the local bank branch closes, but if you look across the range of services I would argue strongly that the level of service that is provided to rural communities has substantially increased. I have worked in these country branches and we were open between 10 a.m. and 3

p.m. I have to tell you that we were not terribly competitive in those days, but now I can pick up a telephone at any time of the day or night and I can do most of the banking that I require, and it costs me nothing to do it. With the EFTPOS terminals, the convenience that is available to people these days, whether it is in the city or whether it is in the country, has substantially increased on what it was before.

I come back to what we are saying in the submission: we have to understand that most people are better off, but there are people who are not better off, and we want to be part of the solution for those people who are not better off. The point was made that some people are not better off when branches close. But I ask: what can we do about the inevitability of the declining number of bank branches when we have had a population decline of 12 per cent over the last 20 years?

In coastal areas the population is increasing and services generally are increasing. Bank branches occasionally close in those towns, just as they do in metropolitan areas. But everybody will say that the Australian banking system will have to get its costs down if it is going to be competitive going forward.

CHAIR—We accept these points, but I reiterate that these alternative services cost money and there are gaps. That is really one of the main things this committee is looking at.

Mr ALBANESE—Page 10 of your submission states that there is a need to manage each element of the business on a sound economic business footing. Do you not think that there is some argument for any element of cross-subsidisation at all?

Mr Aveling—Less and less so. In any business, whether you are a chemist or a bank, you have more profit lines. I guess that if you own a supermarket you would not make much on the milk and the newspapers, but you do it to get people into the business. Banks are going to be no different—that is, some lines will be more profitable and some will be less profitable.

The bank fees issue may not be well understood or well appreciated, but transaction accounts cost banks money. Banks are trying to do something about that with the declining margin. So there is an element of cross-subsidisation. More and more that has to disappear because, if it does not disappear, what any rational competitor is going to do is come in and grab the bit that is profitable and leave the unprofitable bits to the providers that want to cross-subsidise.

Mr ALBANESE—Do you not think that, in part, what rural consumers of bank services see is huge profits for the banks? In terms of your argument about profitability, some of that is relative profitability—that is, it is not that bank branches are closed because they are losing money; they are closed because they are not making as much money as a bank that is involved in other services. Isn't that the case?

Mr Aveling—Most branches that are closed would be losing money, but that is not really the point. The point is about not getting a sufficient return on the investment. A very high proportion of Australians are investors in banks through their superannuation funds. If banks are going to have areas where they are getting a lower than required return on their investment, they are not going to be strong going forward. They are going to be picked up by their competitors.

On the rural side: the cost of providing a service in rural Australia is higher than it is in metropolitan areas. Yet banks generally will charge the same price for the service whether it is in a country town or a city. If you go to buy your groceries or petrol in a country town, you pay more for it. Banks do not do that.

Mr ALBANESE—If this committee were to produce a report which said, ‘It is all terrific because telephone banking services are available 24 hours a day and there is no charge,’ we would get from just about every one of our constituents examples of new bank accounts which, when introduced and people went into them, sounded terrific, but 12 months later they get letters from any particular bank saying that, from now on, there will be an annual fee and there will be a transaction fee. Look at the history of these new services: they are introduced, fees are introduced after that event, and then transaction fees and annual fees—and more increased fees—are introduced.

There is a fair bit of cynicism from the public, to say the least. It is terrific from one perspective—it is good that politicians are not the only people who are viewed that way. Certainly, you are pretty high up the list as well when viewed by your members. They would say that that outcome of the inquiry just does not wash; it is not good enough.

Mr Aveling—I would make no comments in terms of the relative popularity of politicians and bankers and, as we were talking earlier, journalists.

Mr PYNE—They are very unpopular.

Mr Aveling—I cannot take anything away from what you are saying there. We would suggest that this committee needs to come up with win-win solutions that are going to cover the commercial realities of the world. If we try to do things that are not going to stand up to commercial reality, long-term they will not work. In terms of the introduction of new services and then charges being applied at a later date, what we must remember is that the financial scene out there—the market—has changed considerably. And yes, banks are unpopular when they levy charges for services that were not provided in the past.

CHAIR—Or were not charged for?

Mr Aveling—That were not charged for in the past, yes. But the other side of the coin is the very substantial reduction in margins to not only home borrowers—which we all know about—but also small business, as demonstrated by the Reserve Bank statistics. There are substantial savings that are occurring, and that is being brought about by the competition. Before, there was this cross-subsidisation; now there isn’t. What do you do? Do you stop providing the service or do you say to people, ‘You need to pay for that service’? The key to this—and this is what Wallis is all about—is that, as long as there is sufficient competition out there, people cannot charge too much because a lower priced competitor will come in and take the business.

Mr MARTIN—Just following on from my colleagues’ questions to you and also from Mr Anthony, do you believe and do the Australian banks believe that they have a community service obligation in rural and regional Australia?

Mr Aveling—That is a point that is often argued—that we do have a community service—but, again,

the only way this could be done would be if customers in other areas were cross-subsidising the non-viable customers. And, again, given the competition from non-banks in key market areas, banks just do not have the leeway to do that any more. If important services—whether they are transport or education or health care—cannot be made available on a commercial basis or people cannot afford them, then we generally have to accept that it is a government responsibility to ensure adequate access to those services for people who cannot afford them.

If you are going to start going down the track of providing subsidised banking services, the questions is: where does it start and where does it end? Should they be restricted to towns where there was a branch in the past or should it be banks that currently are thinking of withdrawing and need to be subsidised? The whole thing becomes unmanageable. Banks obviously have a responsibility to the Australian community in the sense that they have been part of the Australian community for 180 years and, as most people on this committee would know, people who work in bank branches in country towns play a very important role in their community. Many of us have sat on all of the local committees and, being the banker, you are always the treasurer of these committees.

CHAIR—And your wife also.

Mr Aveling—And your wife makes the biscuits and the lamingtons. This is being part of that local community. That is going to continue. Banks also play a role in assisting people who are in those communities. There is, for example, work being done between some of our members and the Australian Pensioners and Superannuants Federation. That is simply a question of sitting down with them and saying, ‘What are the problems for your members? What is it that we can do to address those problems?’ Quite often, you come up with solutions that are commercial but help us to understand the people, whether they are elderly or whether they are just a normal community. I think I am giving a very long answer to a short question.

Mr MARTIN—I have a question for our friend from KPMG. In your study of rural communities, did you find any evidence to support a view that people in smaller communities on a regular basis go to larger communities to conduct business, shopping, social functions or whatever, and, as a consequence of that, there is the ability for them to manage their time so that perhaps an opportunity for banking and discussions on financial issues with perhaps their bank manager or whatever is included as part of that?

It seems to me that one of the excuses or suggestions that has been around about the opportunity for individuals to access Australia’s financial system in rural and regional Australia is being provided by people managing their time better and, as part of a weekly or bi-weekly visit to a larger population centre, including in part of that visit their banking needs.

Mr Salt—The short answer to that is: in this study, no. The only way you could determine that would be to conduct a survey. You cannot do that sort of analysis from census information. But if you conducted a survey of people in communities and established how far they would be prepared to travel to get the weekly groceries or to do the banking and so forth you could establish that.

However, I will make the comment that, in other work that I do in terms of consulting advice to

retailers right across Australia, there has been, in my view, a trend of a greater propensity of the Australian consumer in rural areas to travel further to access a greater range of goods and services. People are now prepared to travel an hour into Dubbo once a week in order to get the weekly groceries, whereas 20 or even 30 years ago a lot of those goods and services would have been provided locally. It naturally gravitates into key provincial cities.

The logic behind that is illustrated in this diagram here in the report, which is a conceptual diagram of population growth and loss in rural Australia. It is figure 4 on page 28 of the report. What you find when you map population growth and loss in rural Australia is that cities such as Dubbo, Wagga, Armidale, Tamworth, Mildura and even Narrogin in the west of Western Australia act as key provincial cities and anything within, say, 75 kilometres of those cities is actually growing from people moving to and commuting into town. Beyond that commutable distance you get the areas of population loss, with people transferring their business, if you like, on a weekly or monthly basis into the key centre.

Mr MARTIN—Mr Aveling, can you add anything from the bank's perspective as to whether they have any anecdotal or substantive evidence that supports that theory?

Mr Aveling—It is anecdotal but, again, I have worked in Toowoomba and my wife's parents are in a little country town—you mentioned Dubbo—outside of Dubbo. What do people do? They go to Dubbo because there are a range of facilities there. They can go to the doctor, they can go to various shops and they can go and have their coffee. It is a social outing as much as anything else. That looks after most of the population. It does not help the little country town that is left behind with its draw of a population. Roads are so much better these days. Motor vehicles are better. They go to these provincial centres. There are a wide range of alternatives. They will do their banking when they get to these provincial centres.

The problem is the relatively few, but still important, people who may not have any transport. How do they get to the Dubbos of the world? I think that is where the discussion needs to take place with the community. In a town we visited recently they said, 'Do we get a bus that will occasionally go, perhaps once a week, to the town so that we can get local people together?' What part can banks play in that? I do not know but we want to be part of those discussions.

Mr PYNE—The flight of population out of rural and remote areas is not a new phenomenon, it is something that has been going on for many years, in fact decades in some particular areas. So the banks have been aware of this problem for a very long time. In the last two or three years there has been a growing criticism of banks removing their branches from rural and remote communities.

You mentioned in one of the answers to a question that you had been brainstorming with the banks last year about things that you could do. But, to be quite frank, since the banks have been aware of this problem for a very long time, isn't your submission today and your brainstorming with banks last year more of a method to try to avoid criticism of the banks, which is quite genuine criticism, as opposed to fixing the problem? What evidence can you give us today of anything that the banks have actually done to try to resolve these problems as opposed to trying to force their customers into telephone banking, which they do not want to do?

Mr Aveling—First of all, this has not been an exercise to do something about the image of banks; this has been an exercise to respond to the terms of this inquiry and to see whether there are additional solutions that can be provided to regional and remote Australia.

This is not new; therefore the solutions that have been devised are not necessarily new. In my introductory comments I went through a number of the alternatives that are being provided by banks. I gave the example of a hospital closing; I gave the example of doctors going; I gave the example of schools closing—there are very few alternatives when that happens. Banks do offer a full range of services which cater for most of the needs of the people that are left in these country towns.

Again, I think we need to look at the bigger problem, which is the population decline, and not just centre on the fact that a few people are left without a service that they have been used to in the past. We cannot be providing uncommercial services to people. We have to find ways of providing at a reduced cost a service that can look after people there.

I would also disagree with your comment that people are being forced into telephone banking when they do not want it. It is growing very rapidly; there is a huge demand for it. Some people, particularly the elderly, find it more difficult to take on telephone banking and I think that is an education process although elderly people are sometimes resistant to change. It is difficult to deal with somebody over the telephone to get most of your banking requirements met.

CHAIR—But some people will find difficulties because of eyesight problems or whatever; they will not be able to use telephone banking and the like.

Mr Aveling—No. They will be able to pick up the telephone and talk to an operator—that is for many banks, not all banks—on the other end. You do not have to press all the buttons; that is an option. You can talk to the operator and you can get most of these services provided. Again, that is a service that was not there before.

Mr CAUSLEY—Westpac have already said, ‘Ten inquiries a month and then we charge.’

Mr Aveling—You would be charged for transactions, but you are charged for transactions over the branch counter.

Mr CAUSLEY—No, this is the inquiries. They have already said so: 10 a month and after that any inquiry is a charge.

Mr Aveling—I was not aware of the details of that.

Mr CAUSLEY—They have written to me, so I know.

Mr PYNE—Mr Aveling, my point was that this has been a continuing problem. The banks have been pulling their branches out of these areas and they have been maintaining their profits—in fact, their profits have been growing. At the same time banks do not want to increase competition in the banking sector

because they see it as damaging their profits, so really the banks are thinking only of themselves; they are not thinking of their consumers.

Mr Aveling—Banks welcome competition. I remember 10 years ago when foreign banks were admitted to Australia—16 licences were given—and that was going to be the end of the Australian banking system because local banks just would not be able to compete. That was the general view of everybody. What happened? Banks got a lot better at what they did; they met the increased competition and they are a lot better than they were before. Banks in two or three years will be better than they are today—that is what competition is all about and we welcome it.

Dr SOUTHCOTT—Do you have a view on what size community you would put an ATM into? When do you consider it is no longer viable to have an automatic teller machine there?

Mr Aveling—I am sorry that I cannot answer that. It is the number of transactions that go through rather than the size of the community. Different banks would have different numbers. I am quite happy to come back to you on what would be a ballpark figure. ATMs are not generally going to be the solution for these smaller country towns. They are too small; they will never have sufficient transactions for an ATM. The EFTPOS terminals are likely to be much more of a solution. Some towns with 500 people in them still have up to three EFTPOS machines.

Dr SOUTHCOTT—So they can use the EFTPOS for withdrawal?

Mr Aveling—Yes, but not for deposits.

Dr SOUTHCOTT—Do you have a view on, say, the expansion of the giroPost system not just into Australia Post offices but also into the small shops which are acting as agencies for Australia Post?

Mr Aveling—I do not believe Australia Post would want to go beyond their post offices but obviously that is a question for them. Yes, the similar type of service that is provided by giroPost can be provided by banks and this is where some trials are going on among some of our members at the moment in putting in these on-line terminals that will enable you to do nearly all of the normal banking services. It may not be sufficient for a large business with a lot of cheques and cash but it will cover all of the small transactions—deposits and withdrawals. It is done by the local agent, sometimes with a little section closed off so there is some privacy. The local agent does not have access to confidential information—that is blocked off. It does provide a very good service. It does not help you if you want a loan but, again, the solution is there.

I do not know whether this is a solution but we got a letter yesterday from the Institute of Chartered Accountants saying, 'We would love to be agents for banks. Can we talk to you and your members?' We got it only yesterday but we will respond—we are very happy to see whether there is another service that can be provided. To come back to the Chairman's original point, there is going to be a range of solutions here. These types of agencies will be able to provide the transactional banking services for the great majority of people but the lending services will need to be done in a different way. They can be done over the telephone but sometimes people do want to talk to somebody local; sometimes they want to travel into Dubbo because

they want somebody who understands the area. So it is a range of things that can be provided.

Dr SOUTHCOTT—One of the main problems is access to making deposits. Another one of the recommendations of Wallis was to open up the payment system outside the banking sector. Once you no longer have a presence in a remote community or a small town, saying it is not viable for ATM or mobile banking, what sort of suggestions do you have to maintain that access to deposit? People can use all these things—Internet, telephone banking, and so on—but how do they actually make a deposit?

Mr Aveling—There are two solutions: agencies with on-line terminals, which will cover most deposits, not the larger small businesses; and another should be one-stop shops, which would be able to take deposits as part of the service. Another is giroPost. We are saying that, if they had a policy that would allow selective use to locations—if that was commercially acceptable to them—that would be another solution.

Dr SOUTHCOTT—About half of the privately owned, licensed post offices, which are just small shops, have access to giroPost.

CHAIR—Only for personal banking, not for business.

Mr CAUSLEY—I understand that this has been driven by competition policy; obviously it is a competitive world that drives many of the decisions of banks. But we are in the middle of a revolution—I do not know whether we are in the middle or the beginning—which certainly is having enormous effects on business and on country communities. It is not just the loss of branches—there is no doubt that that is one of the areas that has changed dramatically—but also the method of dealing with banks has changed dramatically.

I live on the north coast of New South Wales, which is not considered to be isolated, but I do not have access to a bank manager. My bank manager is in Albury. I may as well be farming in Somerset and dealing with a bank manager in Turin. It is not very satisfactory.

The economies that are being forced through the system by competition are having enormous effects. I wonder whether the banking association has thought this through as to where we are going. There is some evidence before our committee which said that another 50 per cent of branches will close in the next eight to 10 years. Where are we heading? Are the banks contracting to Collins Street and George Street? Are we going to have the hiatus where we have local finance institutions growing up in those areas to service those customers?

Mr Aveling—I am interested in your comment about your bank manager being in Albury and you being on the north coast.

Mr CAUSLEY—You do not get a bank manager; these days you get a glorified clerk. Then, of course, if you do not hit all the bells and whistles on the computer, you do not get anywhere. There is no assessment by any manager. The whole thing with banking today is there is no judgment at all—it is all what the computer says will happen. Gone out of banking is when, once upon a time, the local bank manager would say, ‘Well, he is having a bad time, but I think he is going to do all right. We will lend a bit more money.’ That does not happen any more. There is a huge revolution, which business and farming are finding

difficult to come to terms with.

Mr Aveling—It is quite true that in the consumer side of the market, whether it is in metropolitan areas or in country areas—more in metropolitan areas—there are things like credit scoring that assist banks to make their decisions. That again is to ensure that you have got a low-cost form of delivery, because if you do not your competitors will and they will take that business. But generally my experience is that, as far as the rural community is concerned, local regional managers, local branch managers or local roving managers do put through the proposal for the customer. Quite often they make the decision. Sometimes they don't; it depends on their level of authority, it depends on the financial institution.

But I agree with you: it is very important to be able to get local understanding of what the customer needs. I mentioned before that we have got 6,000 branches and agencies out there across Australia. Rural Australia is enormously important to banks. So, if you asked me down the track whether there will be a contraction to Phillip Street and George Street and I guess Collins Street, the answer is absolutely no. This is far too important an area for banks. It is important for Australia, but also for their own commercial self-interest banks want to be in those areas and they want to do it well. If they do not do it well—and sometimes they don't do it well—competition is going to say, 'We'll do it better,' whether it is credit unions or whoever it may be. But I think generally you will find there is a lot of competition between banks and they want the business out there. I ran business banking in one of the banks until recently. We desperately wanted to pick up more rural business. We have an agribusiness area and we did a lot of work with the community wanting to pick up more business. It is important to us.

Dr SOUTHCOTT—Based on that, when will ANZ, Westpac and National Australia Bank be accessible through giroPost?

Mr Aveling—That comes back to this question of whether giroPost may be prepared to allow access on a selective basis. The issue for the larger banks, with the exception of the Commonwealth Bank, which has had a relationship obviously for a very long period of time, is that, if they have to pay giroPost for national coverage when they have already got a very extensive range of branches out there, they are duplicating their costs. So what the other major banks are saying is, 'We would be very interested in giroPost if we can say that we are not in this town and therefore let us pick up the service in this town.' They would be prepared to pay for it. But they do not want to pay for national coverage when they have already got very extensive coverage.

Dr SOUTHCOTT—Is that being negotiated between those three banks and Australia Post?

Mr Aveling—That has been the policy of Australia Post, not to provide national coverage. My understanding is that there are some technology reasons behind that. I do not have the details. I did talk to Australia Post before coming here and their submission, of course, was not ready for release. They have agreed to send it to me after they have been here, the same way we are going to give them our submission, so that we can open some more talks with them. But they say it is the technology problem that is stopping them at the moment. Again, we would like to see if there is a solution to that, because it would remove some or all the problems for people who cannot get in the service in country towns at the current time.

Mr CAUSLEY—On the favourite subject of interest rates, you mentioned the fact that it was not just home lending, that now interest rates in business and farming were reduced as well. All the people I deal with in those communities would not agree. I get a lot of complaints from farming and business communities who say that they are still paying a fairly high interest rate because banks put them in the high-risk category. And it is not because of their indebtedness in many cases; the banks say, ‘Well, okay, our lending rate is such, but you are in a high-risk category so you will pay three per cent more.’

Mr Aveling—I think you could only look at that on a case-by-case basis. Banks will charge, quite obviously, a premium for additional risk if they perceive that that additional risk is there. If all banks agree that it is high-risk, the chances are it is going to be high-risk. But if there is a bank that believes that the risks are lower because they have got a better understanding than their competitors, they will go in with a lower price and they will pick up that business. I keep harping on this competition perhaps, but it is competition that keeps us all honest. In terms of margins overall, I was quoting Reserve Bank statistics—and this relates to small business, not just talking about country areas—that in some cases there has been up to 4.7 per cent reduction. Let me get this right. Many small business borrowers have been achieving greater reductions than home borrowers, that is, up to 4.7 per cent per cent for residentially secured small business loans as against a fall of 3.8 per cent for standard variable housing. These are Reserve Bank figures. It is an average of 3.1 per cent for all small businesses, compared to 2.8 per cent with the increasingly popular basic home loans and two per cent for honeymoon loans. It does not answer your question specifically on individual rural cases but, across the board, competition has meant that those margins have come down.

It is commonsense. With the mortgage originators grabbing part of the market in housing loans—although, I would point out that 82 per cent of housing loans are still being provided by banks, so they must be doing something right—the regional banks and other players are saying, ‘We cannot make as much profit on these housing loans as we used to before; in fact, there is very little profit in it,’ and are getting into the small business game. They are saying, ‘We think we can make some money out of small business.’ They are finding it very competitive.

One of the mortgage originators was into small business lending with great fanfare and withdrew within about three months. It is still difficult to make money because of the risks involved. The answer in terms of the risk premium comes down to understanding the area in which you operate. From my experience, I believe you have to take the longer term view because it may not rain for three or four years and the commodity prices may be wrong.

CHAIR—Is this not the point the NFF are making in their submission: there is not the sort of understanding there used to be in rural lending?

Mr Aveling—I have not read the NFF submission. I have just seen some press comment on it. As to whether there is the understanding that used to be there: probably not at the local branch manager level. If you go back long enough, you will remember when they lived in a country town for 20 years and they knew everybody. That does not happen now. But, in terms of the regionalisation that has taken place in many of the banks, you have more senior people in the country areas than there used to be. Those branch managers used to report to Sydney, Brisbane and Melbourne. They tend to report to somebody in Dubbo, Wagga or Hamilton.

CHAIR—They do not have the same authority that the old branch manager had.

Mr Aveling—The regional areas generally have had the authority. It depends on the bank, but generally they do.

Mr CAUSLEY—I know competition comes to the fore, and we say it has all been driven by competition, but it is not as easy as you make it sound. If I were unhappy with you as a banker and I wanted to shift to another bank, it would cost me quite a lot of money to try to get an account with another bank. Banks these days say, ‘You had better give us a profit and loss cash flow, your assets and liabilities.’ You have to go to your accountant, which will probably cost about \$2,000 or \$3,000, and then you will have an establishment fee from the bank. It is not easy just to swap banks and go for a better interest rate.

Mr Aveling—There are also stamp duties and government charges. That is the case, but you will shift only if you are going to get a better deal.

Mr CAUSLEY—It would want to be a dash good deal to pay all that.

Mr Aveling—Yes, but many banks will discount their establishment fees if they want your business, and they will give you a lower interest rate because they want your business. I know because I have lost lots of business when I have been running businesses. Competitors keep taking it away. If we are not on the ball, then we lose that business. I accept absolutely that there is a cost of shifting, but banks will often find ways of making sure that they can ameliorate that because they want your business. You have to shop around these days.

Mr ANTHONY—Obviously the concern of this committee is that the potential panacea for the reduction of banking branches in rural areas is through telecommunications and better services. Even NFF’s submission—I notice you quoted some of their comments as well—states that they are of the view that there is not an infrastructure at the moment in a lot of communities to build up. Yet we have an infrastructure for EFTPOS machines—you quoted there are 75,000 in Australia. If I put an EFTPOS machine into my business, what is the cost of the commission or transaction that I pay back to the bank? Is it one per cent, two per cent?

Mr Carroll—With each bank and with each merchant it is negotiated.

Mr ANTHONY—What would be the average?

Mr Carroll—I do not have an average figure.

Mr ANTHONY—What would be the range?

Mr Carroll—I do not have a range.

Mr Aveling—We will come back to you on that point.

Mr ANTHONY—If you could. We have an argument, which I understand, that with increased competition there are not the margins in those rural communities so you close down your facilities. You obviously have to maximise your return to shareholders. Yet, in most of these towns, as we have seen now, there is a proliferation particularly of EFTPOS and, to a latter extent, ATM banking. The financial sector which is providing those EFTPOS machines—clearly, it is the banks—is the big winner because of those commissions. I get the impression that that is about two per cent for those retailers, whether it is Coles or the local store, which have an EFTPOS machine.

So the argument in all of this report is that, okay, increased competition, we cannot deliver the service. Yet the fact is—and good luck to you—that the banks have been making very good margins, very good profits, out of a different form of service delivery in EFTPOS machines, into all those communities, particularly rural communities. I find a bit hard to justify that we are reducing service here when actually you are making at very low cost, through all those consumer transactions that are going on through EFTPOS, a very good profit margin. While I understand the rationale for closing down banking, you are actually picking it up in another form of electronic commerce. I believe personally that there is an argument for some type of cross-subsidisation, though it might not be a lot, because you are making profit now through another form of service delivery and you will make it, as previous speakers have mentioned on this committee, when new forms of electronic commerce arrive, particularly telephone banking. It will happen; the fees will go on, just as is happening now with Internet banking and happened with ATM banking when it first came in. The fees were very low but they are a hell of a lot higher now, particularly if you are not using ANZ's ATM but Westpac's in Brewarrina, because that is the only one there.

I suppose this is more a statement than a question and I apologise. The government now is facing in the medical area, with doctors, the same argument as you have put out. Doctors in rural communities are disappearing because there are not the people there and they are concentrating in major rural communities. That is one thing the government did through direct intervention. Even though it is outside the ambit of this committee, maybe we should be recommending to the government and to Costello that in the area of health we actually restrict Medicare provider numbers, that you can only get a Medicare provider number if you are prepared to go out west, out in the bush. That way, through government intervention, we have tried to ensure that we will get doctors put back into rural communities because we are restricting supply.

I just wonder whether perhaps down the track that is what we are going to have to look at to ensure that we keep a fabric in those areas, notwithstanding the problems that they going through. Following on from what Ian Causley said, there is, as you know, a great sense of betrayal in those areas. It is not all your fault and I think it is unfair to cast judgment there, but I think government and also commercial enterprises need to place greater emphasis on maintaining those services there and not just relying on the information superhighway as the panacea, because I do not think it is going to deliver the goods.

Mr MARTIN—Perhaps you can go on hunger strike in front of Parliament House like the overseas doctors did.

Mr Aveling—Commuting down to Melbourne is a bit like being on hunger strike, I can tell you. Stephen is going to make a comment. I would just like to respond to a couple of things from Mr Anthony, if I may. In terms of the two per cent, we will certainly come back to you. My understanding is that that

probably is on credit card transactions and not on EFTPOS transactions, but I do not know for sure, so we need to clarify that. As far as these apparently great profits we are making on EFTPOS terminals are concerned, it is like a broken record, but back to the competition. Banks compete to put in these EFTPOS terminals. They will go along to the merchants and offer the best deals. There is one bank in particular, though it is not the one I used to work for, that has been picking up a lot of this EFTPOS business because they are going in and undercutting everybody else. Good luck to them. It is not as though there is one provider out there; there are a range of people who want to provide these terminals and the merchants are going to pick the best deal.

Mr Carroll—At Penshurst a National Australia Bank branch recently closed. The population within the local community is around 600. The rural merchant had EFTPOS before the bank closed; the general store has EFTPOS, the pub has EFTPOS, and the service station has EFTPOS. Those facilities were not all of the one bank. I do not know this for certain, but I think you would find that the majority of them were not National Australia Bank merchants. Banks are competing for services in these country towns by providing a range of different ways of accessing services. The merchants are also finding these services of benefit to them. It is not just a one-way street.

CHAIR—Unfortunately, time is getting away from us so we might have to stop there. Thank you, Mr Aveling, Mr Carroll and Mr Salt, for coming. The committee would like to submit further questions to you in writing, and we would be pleased if you could come before us again when we have progressed this further because there are a number of issues we would like to expand on, particularly on that last point you made in your submission, which is that the banks do have an interest in working with government and other parties to see how we can tackle this, which to a large extent is what this inquiry is all about anyway. Thank you very much for that comprehensive response.

[10.57 a.m.]

WALKER, Dr Gregory Allan, Faculty of Commerce, Charles Sturt University, Bathurst, New South Wales 2795

CHAIR—I welcome Dr Greg Walker to today's public hearing. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submission, which is numbered 7, and it has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

Dr Walker—No, Mr Chairman.

CHAIR—Would you like to make a brief opening statement before I invite members to proceed with questions?

Dr Walker—Yes, I would.

CHAIR—Please proceed.

Dr Walker—My submission comprises mainly a conference paper that was written at the time this committee was announced. It covers the same areas as those of this committee. I was encouraged by my local member, Mr Peter Andren, to submit this to this committee, with a brief summary of the key issues that were in that research paper.

I would like to comment and elaborate on some of those points, particularly on those which overlap with the previous discussion with the Australian Bankers Association. First of all, my paper has initial comments which everybody has accepted: the financial system is going through a revolutionary change. There is no need to comment on that.

I also stress, starting on a positive note, that rural Australia has some potential to actually benefit from the new world that is coming upon us. There are two key areas in which the benefit will be related: technology and competition. Technology, as has been mentioned in the previous submission, is the delivery of services through home banking and computer banking in supermarkets and petrol stations. All of these things have the potential to remove the disadvantage of distance for those of us who are located in the regional areas.

The other area is competition, which is very important. It has the potential for new providers to come into rural areas—specialists who could actually improve the current service delivery for rural customers. Also, in theory it has the potential to put pressure on our existing service providers, who are mainly the banks, to actually improve the service they are currently providing.

I started with positive comments on the financial revolution that is happening at the moment; now I

would like to highlight some of the potential pitfalls. One of the points I stressed was that, for us in regional Australia to benefit from technological developments, access to the telecommunications network and access to improved and new telecommunications networks is critical. Maybe this is an area in which the government has a role.

I am aware that the NFF has been critical of this situation. It wants access to the telecommunications infrastructure improved. I am also aware that there are rumblings, at least in my local community, with representations to Telstra, that some of the telecommunications services and staff have been withdrawn from the country area.

I have an example of the sort of thing that I believe is necessary, that is, my own regionally based university has just announced that it has to put in its own microwave link in order to link up all of its regional campuses and its capital city customers so that it can compete in a cost effective way with all other universities, regardless of their location. The important thing here which I would like to emphasise is that this multimillion dollar project—it is about \$5½ million—is 50 per cent financed by an additional government grant. It is an example of the importance of telecommunication links for regional Australia to be able to compete.

The banks, in a previous submission, also provide us with an example of how at the moment they are subsidising, by providing rural customers with free calls through their telecommunications system. If the telecommunications system improves, then they will not have to continue to cover this sort of subsidisation. It is the cost which is very important.

I also made a point about mergers. I support the role of the ACCC as undertaking, and being very critical of, bank mergers. The government also has a position on bank mergers. Although this is perhaps at a higher level than this committee, it is worth making the comment that there is some evidence in literature and in the community that it is the smaller banks that are providing a better service to small and medium enterprises and that these smaller banks are the ones that have been the target of takeovers by the larger banks in recent years. I would be worried that the smaller banks which are yet to penetrate largely into rural areas might disappear before they bring improved competition and improved service to regional areas.

I also had in the paper documentation of the closures of bank branches that have been greatly confused. I identified over 1,000 bank branches that have been closed in Australia in the last five years. A lot of the confusion with the bank branch closures is due to the fact that many non-banks—ex-building societies—have been coming into the banking world. Many of those have been taken over by the larger banks, and the banks are in the process of closing down their branches. So there has been quite massive branch closure right across Australia. The record shows that more branches have closed in metropolitan areas, but there is an access problem that is greater for rural areas.

I also would like to comment on a little bit that I have picked up recently on the US scene. There is a great deal of debate going on in the United States as they are deregulating their banking structure and allowing nationwide branch banking. Paradoxically, they seem to be worried about the opposite to what is happening in Australia: they are worried that large banks will move in and take over the community based banks which have traditionally been servicing rural America. We are looking at a situation where our large

banks are withdrawing particularly their branch operations, and we are wondering whether smaller credit unions or community banks will be coming in to fill the void.

Based on the literature in America, I can comment that the Americans are most concerned that large national banks do not provide as good a service as their smaller community banks to rural communities. Perhaps there is a lesson we can learn from that. I am aware from the National Farmers Federation and from previous comments around this table, particularly from Mr Causley, that there is some concern that our big banks that dominate rural lending and rural banking in Australia have not perhaps serviced us as well. The American evidence is suggesting that big banks are not good providers of finance and banking services to small rural communities. So there is potential to learn from them.

Having said that, I have also looked at the statistics that suggest that there is no evidence that the big banks are necessarily withdrawing from business banking. Mr Aveling in the previous submission suggested that the banks are still very keen on chasing regional business banking. I would suggest that maybe there is a distinction and that the banks, while still interested in the business side of banking in rural Australia, are not interested in the retail side of banking, and I will make some more comments on that in a minute.

We know that a lot of suggestion is being made that perhaps credit unions will come in to fill the void, move into regional areas. I know that in my own location of Bathurst there is an example of the Reliance Credit Union actually shifting its headquarters from Sydney to Bathurst to provide a regional focus. And we do have the Bendigo Bank's proposal for assisting community banks and setting up their own branches on a franchise basis. I am not aware of the fine detail of that but I am aware of the general thrust of it. I make a comment, however, and again this is in the light of my previous comments about what I see in the American community banking scene. I think we should be careful not to expect credit unions to be the salvation of the problem for small communities. Credit unions do not provide the full range of banking services and particularly they are not into business banking. They may attempt to move into business banking, but there are examples in the past of new banks which have found it difficult to move into such areas without extensive experience and staff. Also, of course, they are not immune from the same cost pressures that have forced banks to close their branches. I do note that it is very important that they have been given access to the payments system.

I would also like to point out that in the longer term cash handling services, which is what the banks seem to be suggesting is the most unprofitable, may disappear from all financial institutions. I assume it is unprofitable for credit unions, banks, post offices, supermarkets, whoever they are. In my paper too I have cited evidence of a city based credit union deciding that it would stop cash handling. Admittedly it is in Broadway, but it has also decided that this is not a profitable business.

Another area, which I draw from the Americans, is that, if credit unions move into rural areas—and the only example I have at the moment in my home town is Reliance—the Americans are concerned at the loss of the deposit base for small community banks. The new technological and competitive financial markets—not just in our country but in other countries around world—are able to reach out very rapidly and penetrate regional investor markets. High value customers who have funds to invest are being competitively sought now by all different sorts: fund managers, banks and other financial institutions. If a small community bank relies on the local community for its deposit funding, the Americans and, I would suggest, we should be

very worried about the financial liability of such an institution.

Moving on, similar problems apply to Australia Post and their giro operations. This is a point that I have in my conclusion and I will mention it now. Mr Aveling said that we all accept that Australia Post must be a commercial operation. It is possible that some of these areas we are looking at now, the small pockets within rural Australia, are simply not commercial operations. Conducting banking services, even with the new technology, to social welfare or disadvantaged people may not be a viable commercial operation. Australia Post is, to my mind, one of the last remaining federal government national institutions with a nationwide network. If they are to operate on the commercial basis then they are exactly the same as the banks. I think you have got to look very carefully at whether Australia Post, as a government instrumentality, should have a directive to pick up these small pockets of disadvantaged rural areas at a cost, a cross-subsidisation.

I would like to comment on the supermarket entry. I have been involved with colleagues in looking at the petrol situation with supermarkets and with the Woolworths entry. Interestingly, Dubbo was the much cited example before. I concur exactly with what has been said about the population situation. In fact, I prepared and checked the data yesterday, and population growth in Dubbo for the last five years on average per annum is 1.5 per cent, whereas Sydney is only 1.1 per cent. So Dubbo is a booming provincial centre. All of the surrounding towns that I have seen are declining in terms of the official population.

As to the siting of large supermarkets in country towns, the gentleman from KPMG said that he did not have the research on that. One of my colleagues has been involved in shopping in regional areas and doing research, and certainly the siting of the large supermarkets in country towns is a key link in terms of provincial development. People do travel fairly extensive distances, from the evidence my colleagues extracted, in order to shop.

The coming of the petrol delivery by Woolworths has apparently accentuated that situation and has led to further commercial declines, mainly of service stations, in surrounding towns. If supermarkets such as Woolworths now add financial services, it will simply add to the problem of concentration and drift towards the provincial cities. It will be all power to Dubbo but, unfortunately, the Wellingtons and the other surrounding towns will suffer. Supermarkets, such as Woolworths and Coles, are not going into the smaller towns.

My key point is that the centralisation of electronic financial service operations in capital cities will disadvantage rural communities. This has been mentioned before. Again, Mr Causley mentioned this problem. I think this is a trap that the banks are falling into in terms of their service delivery. In New Zealand when I was delivering my conference paper I visited some banking colleagues. Their comment was, 'If you're worried about centralisation of your services, all of our branches are going to be run from Melbourne and it is going to be a disaster.'

That is a commercial mistake that I think the banks are making. They are attempting to commoditise what were services by simply selling them through a computer or selling them as though they can take them off the shelf, like a product in a newsagency, rather than treating, as they used to many years ago, most of your banking products as a service with an individual delivering that. The market solution to that problem would be—more fool the banks—that new entrants would come in and deliver a better service, and the banks

would lose their custom. That is similar to what I think Mr Aveling was saying.

Let me comment on this market solution, because I think this is where I need to finish up. I take umbrage with what Mr Aveling was saying—that they are not cross-subsidising any more. In my conference paper there are suggestions and reports of a new form of cross-subsidisation. Basically, what the banks are doing is they are pursuing profitable, high value customers. They do not want low value retail customers, and their pricing structure reflects this. Mr Aveling suggested that if they really wanted your business the transaction fees and the establishment fees would be waived.

I understand that this is the sort of thing that is happening. High value customers—be they in the bush or in the city—are being chased with discriminatory pricing. But it also can be seen as operating in the opposite direction, and that is to remove low value, non-profitable customers. They are the sorts of customers that I think this committee is strongly focused on: the low value, small retail customers in remote communities.

There is a form of pricing discrimination there. There is the American approach of the Community Reinvestment Act, which would involve directing banks. I note that Mr Aveling was asked whether banks still have community obligations. In his answer, he basically said no. We are a commercial operation and we have to seek the commercial imperative. The government could adopt the American approach of re-regulating and forcing this sort of obligation back on the banks. The most obvious example is the Community Reinvestment Act that the Americans have. My brief look at it, though, reveals that it appears to be a fairly heavy regulatory operation with probably pretty heavy compliance costs.

I have also noted in the recent literature that there are calls for relief from this regulation for the small community banks because it is disadvantaging them and that it is not really impacting on the large nationwide banks in the way that it is supposed to. The community banks are supposed to be the very ones that are more likely to service these local rural communities. I would be very hesitant to support that re-regulatory approach. It would turn back the last 15 years of direction that our financial system and government policy have been headed in, which is to deregulate, commercialise operations and privatise government banks.

We are left then with the market solution, which is to leave it up to the banks. The market solution still requires access to the technological infrastructure, which could be a government infrastructure. Second, you must have a government regulator to prevent any anti-competitive practices. To date, the ACCC has been most vigilant in this area. Providing access to the payments system for credit unions and building societies plus any new financial institutions would seem to be the role of government.

Mr Chairman, in your introductory address, you mentioned Farmer Mac. Regional Australia should be highly involved with any secondary market developments. My reading is that Farmer Mac has been not very successful in America. They are trying to change that as well.

Given that market solution and given that government does everything to remove any anti-competitive barriers and provide the infrastructure, there still may be cases of market failure. There still may be pockets of rural Australia that are not serviced simply because they are not viable. When we get to that level, I return to my comment that Australia Post might be the only networked government agency left that is involved in

financial services in the country. The Commonwealth Bank was originally set up many years ago to provide these sorts of services on a cross-subsidisation basis across Australia. That has now gone. We are now left with perhaps the Commonwealth Bank. Social security offices and the new Centrelink have also been mentioned.

It is therefore very important that Australia Post and the government look carefully at their mandate to cross-subsidise these areas. I suspect that there will still be these small pockets of market failure.

CHAIR—Thank you, Dr Walker, for a very comprehensive introduction. You raise a number of fairly important issues. I take you back to one of your first comments. You said that the number of closures has been larger than people realise because of the takeovers amongst some of the smaller banks and so on. I was wondering whether you could quantify those figures.

Dr Walker—I did in table one of the attached paper at page 8. This is Reserve Bank data which is regularly published. The interesting feature is that, for the first three years of the 1990s, the major banks expanded by 1,000 branches. Half of them involved the takeover of the State Bank of Victoria by the Commonwealth Bank. In the process of merging, the banks acquired large numbers of branches in the early 1990s. Since then, the major banks have closed, on my numbers, 1,228 branches. The Reserve Bank does break them up into non-metropolitan and metropolitan branches. There are 659 metropolitan branches and 284 non-metropolitan branches.

I also worked out the ratio of non-metropolitan to metropolitan branches. In the last year, in 1997, it went up. They are general nationwide figures. They do not pick up the fact that hidden in there are some small towns that now have no branches at all, which is a critical issue.

CHAIR—You made another comment which, given Australia's history, I wonder about. You said that cash handling may disappear. I would have thought that one thing Australians have always held very dearly is the fact that they can carry cash and use cash. It means simplicity in transactions. I am wondering what you base that comment on.

Dr Walker—The smart card and EFTPOS, but particularly the smart card.

CHAIR—The smart card really is another form of cash, though.

Dr Walker—I am talking about currency. Electronic cash will take over from traditional cash.

Mr ANTHONY—In your submission, you talk about Australia Post being ultimately the only national agency that can deliver. You also mention that, as it is commercial, it cannot run losses. It will thus face the same predicament, which is why the banks are moving out. Are you advocating that there really has to be some sort of formalised CSO in banking under, for example, Australia Post, if that were the case?

Dr Walker—A community service obligation?

Mr ANTHONY—Yes.

Dr Walker—Yes. It might come down to the situation whereby, despite what the Australian Bankers Association says and despite the new world and electronic delivery, there will still be pockets that the new market fails to service. Those pockets will be the remote disadvantaged communities. A lot of them may involve particular people, such as retirees and welfare people et cetera. I suggest that it is up to Australia Post to have a community service obligation.

Mr ANTHONY—The government would then allocate a certain amount to Australia Post as the CSO for, for example, banking services. It would then be up to Australia Post to determine which banking areas got that CSO. Would we tie it? How do you ensure that certain areas are at least covered by some type of service?

Dr Walker—When local communities say that they are without any financial services. Maybe they are the towns of 200 or 500 people, which are probably the ones we are looking at. They request that a financial service office be operated through Australia Post. Even though that is a non-financial operation, Australia Post takes up the request.

Mr WILLIS—As giroPost or something else?

Dr Walker—I hope that it would be linked into their new giroPost operations. I do not think we should expect Australia Post simply to go back and run a banking system 20 years out of date. I hope that they would integrate it with their new technology.

Mr PYNE—The regulations you are talking about are not regulations to require banks to perform certain tasks in country areas? It is to allow Australia Post to take on more services that it currently does not have access to?

Dr Walker—Yes. Australia has deregulated the banking system. It has privatised government banks. They have accepted that banking is now on a commercial footing. The financial system inquiry supported that approach. Today's government has accepted and endorsed that approach. It is up to government to pick up the market failure. Government could pressure and consult with banks and take up the invitations, for instance, which the Australian Bankers Association finished with. They are prepared to consult and assist in finding alternative means. Fundamentally, I believe that, at the moment, banking has been given a commercial role. In these small areas, it is a non-commercial operation. What is left? My suggestion is Australia Post.

Mr CAUSLEY—Just following on that CSO idea, Australian history is littered with ideas like this, I suppose, where the community through their governments have seen a need and have set up something to relieve that need and then people exploit it. How would you overcome this with the corporate sector? Obviously they would take this as an opportunity to walk away from some of their responsibilities and say, 'Let the taxpayer pay for it.'

Dr Walker—I think they are walking away from it already, aren't they—

Mr CAUSLEY—To an extent, but it might be worse. It might give them an opportunity to even

accelerate.

Dr Walker—That is a risk. But there is a transitional problem at the moment here. Small communities are losing their banking services and they are suffering. It may be that the new world and the market solution just does not deliver. I would like to have some backup for that for those people, and once again my suggestion is Australia Post. It could be exploited. I would suspect it would be mainly transaction service and basically retail operations. I think high value rural customers, wherever they are located, will be serviced by our commercial financial institutions. The mobile banker will drive straight through the small town and out to the large farm and deliver an excellent and probably an improved service to our profitable large farmers. It is the ones in the small town that are being bypassed, and they will be bypassed.

Mr CAUSLEY—Could I explore those I see as filling the vacuum, if you like, in some areas anyway, and that is the finance companies, or more so in smaller towns the community based lending institutions that are building up there. I do not know the American system but I suppose it is similar to the American banks that have grown up in their own towns. While that can service the local community and there is local knowledge of the customer et cetera, they would be at a distinct disadvantage, wouldn't they, compared with the larger lending institutions?

Dr Walker—Yes, and I think they would be restricted mainly to the unprofitable small end of the market. I mentioned before that they could be at risk of losing their funding base. If they are truly local community based rather than networked across, say, a whole state, they could find it very difficult to compete for enough funds to operate. So what are they going to do: just live off charges for transaction services? Everybody is accepting that that is not very profitable. That is why I have a question mark on one of my comments about not expecting too much from the credit union movement to solve all your problems, because they are facing the same commercial realities as the banks—worse, though, if they are small, regionally based only.

Mr CAUSLEY—So by providing them with cheque facilities we are only adding a cost to them.

Dr Walker—We are enabling them to continue to operate in that small section of the retail market. There is still a lot of cheque business that is retail. We ensure that their operation at that retail end will continue, but it is still limited. It is a big leap for a credit union to get into full scale commercial lending, and particularly specialised agricultural lending. The staffing requirements and the information infrastructure required would be very costly.

Mr CAUSLEY—What about in the future? Is there any possibility that the Internet will allow people to access money? Obviously you still have to have cash flows and profit and loss and assets and liabilities and things like that, but you would have greater access to lenders through that facility, would you?

Dr Walker—Yes, and I suspect the entrepreneurial, vigorous, successful, high value customers are already looking into that and waiting for it. Maybe they are already tapped into it. I do not see that much of a problem for the vibrant business sector. I think they will be serviced and the new technology will actually give them better access. If they do not like their local regional manager in Dubbo, they will have better access to people from other financial institutions in Melbourne or Perth or wherever under the new electronic

communications.

For those sorts of people, I think the new world has a lot of promise. This is where I started from. There is a lot of potential benefit that the new financial world can bring to the regions. You do not have to be in Martin Place in order to do banking, but I do not think the small retail people are going to be wanted by the banks.

Mr CAUSLEY—Would that be true in the city as well as the country?

Dr Walker—Yes, there are branches being closed in the city. You commented that your branches on the north coast are being closed. Branches are not a profitable way of doing business.

Mr WILTON—Do you see any hope at all for those people who may be, as you say, bypassed by even mobile banking arrangements? Is there anything that, for example, Wallis might offer them? Is there anything contained in that that might be of value?

Dr Walker—Wallis offered them this committee. Recommendation No. 96, or whatever it was, simply passed the buck to the government to take over. I think you are looking at small areas, and it is almost like a welfare problem. If it is a welfare problem, is it not government's responsibility? That seems to be the way in which, in the last 20 years, our definition of the role of government and the role of commercial operations have settled down.

Mr MARTIN—If it is the role of government and we are saying that this is welfare, what is the difference between shutting down Medicare offices—or rolling out other changes in state and federal government services throughout Australia—and banks that are commercial operations taking commercial decisions to rationalise their particular ways of doing business?

Dr Walker—Do not blame the banks for doing what you are doing in government. I think it is the same thing, and I am suggesting that government perhaps should stop doing that.

Mr PYNE—The closing of Medicare offices and the closing of bank branches in rural areas are not actually comparable, because the government is doing exactly what you are proposing by opening Medicare agencies in pharmacies throughout rural areas, and it is closing Medicare offices in city areas where they are not necessarily viable because they are not being used by the consumer. So they are not comparable, Stephen, as you well know.

Mr MARTIN—They are. We will not argue the toss on Medicare here—

Mr PYNE—They are two quite different things.

Dr Walker—I am out of my depth with the detail as to how they are, as you suggest, restructuring the way in which they are delivering their services, so long as they are still delivering the service. That is the key point.

Mr PYNE—They are not closing Medicare offices in country areas. We are talking about banks closing in country areas.

Mr MARTIN—No, they are shutting them in Labor Party areas.

Mr PYNE—And Liberal Party areas, too. They are closing them in my area, too.

Mr ANTHONY—You talked before, Greg, about what is happening abroad, and it was very interesting. The UK based First Direct started from nothing and has got 600,000 customers through the Internet and whatever. You mentioned that the New Zealand post has gone into an arrangement with Hong Kong Shanghai Bank, and you mentioned the US example. I am interested to hear a few more comments, because I suppose that is the only way we can really compare. What are some of the better things that have happened abroad—maybe in New Zealand—that we can adopt here, if anything?

Dr Walker—New Zealand Postbank is the example that is quoted in the literature as being the way a bank should do it. I think it was when they were purchased by the ANZ that they converted some enormous proportion of their customer base to electronic delivery and got an extremely high customer satisfaction recorded in subsequent surveys, which suggests that almost all customers, if educated to the new banking alternatives—and if the product is marketed properly—will embrace them.

Mr ANTHONY—When you said they converted, does that mean they put holes in the wall everywhere?

Dr Walker—They put holes in the wall everywhere, they put telephone links everywhere, and I think they went to computer links as well. They had an enormous sales force/educational force of staff who would explain to people and even go to people's homes to train them how to use this new service. They have recorded a remarkable success, and they are being quoted in the literature now as 'this is the way to do it'.

Mr ANTHONY—And what about interest groups? Obviously people in rural communities and the elderly are the ones that are being left out of the new world order. Do they target those people as well? Is there a reasonable degree of satisfaction amongst the elderly?

Dr Walker—I gather they targeted all their customers. I am struggling to remember the figure, but I think it is quoted as something like a 90 per cent satisfaction rate.

Mr ANTHONY—Let us say that the banks were actively educating the populace. Do you think it would make any difference here or is it just the tyranny of distance? Is it just totally different being out the back of Bourke from being down near Christchurch?

Dr Walker—I think there would be less cynicism about the banks when they say they are putting in place alternatives if the banks were doing a better job of marketing these new alternatives and educating their customer base.

Mr MARTIN—Is there a minimum threshold population size in a rural and remote community in

Australia that you believe could and should sustain the operations of a bank branch?

Dr Walker—I cannot comment on that. I have never really looked at it. All I can suggest indirectly is that, looking at the branch closures and the literature on branch closures, I think the rule of thumb is that it was approximately about a 1,000 population town. Once a town dropped below 1,000 it appeared as though the banks had decided you were just not viable. That is where most of the closures appeared to be.

Mr MARTIN—One of the comments made by the ABA was that the banks were not the first to shut. Other services in those rural communities shut and the banks subsequently followed suit. Is that some of your research?

Dr Walker—I have not researched that exactly but, having been a resident of rural Australia for a long time, it is always amazing that in a small, declining town the only substantial building left—normally it is still operating—is a bank. I think part of the reason why banks were so slow to close their branches was they were scratching their heads for many years about what to do with the loss on their infrastructure. Who is going to buy in a small town this large, imposing multi-storey building, which is the only large building in the town? I think that has delayed their operations.

Mr CAUSLEY—Could I raise the ATM situation? The banks have put forward the ATM as being one of their resolutions to a problem, but it is becoming a problem in itself. No longer can we just look at a hole in the wall because the evidence of assaults that are taking place around ATMs at present is quite disturbing. There was even a death recently on the mid-north coast of New South Wales. It would seem they are going to have to rethink that and there will be a cost involved there, and quite a substantial cost, I suppose, for security around ATMs.

Dr Walker—My personal reaction to that would be that I would prefer to see the equivalent of an ATM in my own telephone with a smart card so that I can download electronic cash in the security of my own home. To have that facility I would hope that, in a rural community, I would be given the same sort of high quality telephone line or optical fibre links that the city is getting. This is where I come back to my infrastructure push. The new opportunity to actually deliver cash of a sort, even though it is electronic, to the security of your home will be embraced even by elderly people at the moment, who might think of it as being science fiction. But once they could be educated and it was explained to them, it would be a great plus for those people. I personally also want it on my computer. I want my bank to switch to computer operations. I haven't transferred to the competitors that supply that because the trouble of transferring from one to another is just personally too much.

Mr CAUSLEY—Will the government infrastructure fund help in accessing that?

Dr Walker—One of the things I skipped over because I thought I was spending a little too long talking in the introduction was that I note that the funding boost to regional telecommunications that the government has offered is a positive and should be supported. I think it is legitimately a role of government to see that the rural communities get the electronic network—and the same high quality electronic network.

I think Telstra will be a problem because Telstra is conscious of its commercial operation. It is now

partly privatised. Cross-subsidisation may be involved here. We may end up in the telecommunications network environment with exactly the same problems as the banks have. They are commercial. Why should they cross-subsidise non-profitable areas? Telstra could be saying exactly the same thing. Yet I want to continue to operate in a regional area in an industry, in a university, that competes not just nationally but also internationally, and telecommunications are essential for us. That is very important, particularly with the cost of students accessing our services via the Internet.

Mr ANTHONY—Dr Walker, I was interested in your comment about what happens once a supermarket goes into a big regional town. To me that is the key: it starts to drag out commerce from the smaller towns. If you had to put your hand on it, would that be the single greatest influence?

Let us say that ultimately the reason why banks are closing down is because you are getting these big supermarkets in these big provincial towns. There is the multiplier effect, as you said, with Woolies with fuel and everything else. Is that the reason? Ultimately, is there a trade-off: people might get cheaper fuel and cheaper groceries because of the big supermarkets but the downside is that they are going to lose such areas in the smaller towns like their own local store and their own bank? Is that the trade-off: they get these cheaper things but they are going to pay for it because they are going to lose X?

Dr Walker—Yes. I believe the supermarket is very important for the retail/commercial operations. Health and other factors are also important but the supermarket seems to be the key. But I support the petrol revolution, which I have research publications in. I also support recent studies by Ampol, for instance. One study they commissioned showed that, although there will be job losses and they will be quite visible, collectively there could be two jobs created for every one job lost with the petrol revolution delivering, for instance, that particular product at a substantially lower cost to rural Australia. However, you cannot control the distributional impact of that; you still might have the small towns adversely impacted.

Mr WILLIS—Thank you for the submission. I have found it very informative; I am sure all committee members have, too. I have a couple of points I want to raise with you. Firstly, you seemed to be going beyond the submission with what you said about the US Community Reinvestment Act. You suggested that the later evidence was that it had not been all that terrific, and there were its outcomes for small towns. Without your going into detail now, we would all be interested in any further information you might have about that, particularly the way in which the scheme operates—spelling that out.

Dr Walker—I actually picked up on that area subsequent to my writing that paper and also in networking with the advantages of conferences with a Federal Reserve Bank economist from Kansas City. I do have some of the publications, and I have prepared a brief list of those. This is the area that I want to write up and research in more detail, but I can supply the committee with some excellent references that I have just recently accessed relating to the rural financing situation in America.

Mr WILLIS—We would all find that quite helpful.

CHAIR—That would help because you made some comments about Farmer Mac earlier on the same lines.

Mr WILLIS—Dr Walker, in relation to your proposed solution to a difficult issue using Australia Post, I take it you are aware that there is currently a National Competition Council inquiry into Australia Post which is highly likely to recommend putting Australia Post under further competitive pressure, thereby adding to its difficulty in cross-subsidising anything as its activities become more and more open to competition. That means that, if there is going to be anything done in terms of Australia Post's providing non-competitive services, it is going to have to be done through a CSO of some sort or, alternatively, this is a factor which the National Competition Council takes into account in deciding what it is going to recommend to government.

So I am suggesting that perhaps it would be a good idea if these thoughts about the role of Australia Post were fed by someone into the consideration of the National Competition Council before it makes a recommendation to government. The alternative to stripping away the competition for Australia Post if it is going to provide these sorts of services is certainly going to be at a requirement for a lesser dividend to the government or a straight-out subsidy.

Dr Walker—I agree with everything that you have said, but it comes back to government to wrestle with.

CHAIR—Unfortunately time has got the better of us. We will have the NCC in front of us next week. Ralph, I hope you can make that hearing to make that point. Dr Walker, thank you very much for your comments. We also thank you for the offer to follow up the points that were raised. We certainly look forward to hearing from you again.

Dr Walker—I can provide you with that list of references. There are some excellent references about the American situation.

CHAIR—Thank you.

[11.45 a.m.]

O'BRIEN, Mrs Alison, President, Goulburn Branch, Country Women's Association, PO Box 15, Potts Point, New South Wales

SHERGIS, Mrs Patricia Anne, Member and Past Secretary, Study and Investigation Team, Country Women's Association of New South Wales, PO Box 15, Potts Point, New South Wales

CHAIR—I welcome Mrs Patricia Shergis and Mrs Alison O'Brien from the Country Women's Association of New South Wales to today's public hearing. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of the parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submission numbered 70 and it has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

Mrs Shergis—No.

CHAIR—Do you wish to make a brief opening statement before I invite members to proceed with their questions?

Mrs Shergis—Yes, please. Mr Chairman and committee members, I would like to state from the outset two things. We do not claim to be experts in this matter, but we just like to try to put the point of view of the grassroots situation. We also have no desire to partake in a bank bashing exercise, but rather to endeavour to explain how current bank practices are impacting on country people and hope that some alternatives to bank closures can be found. One of the CWA's first objectives 75 years ago was to arrest the population drift from the country to the city. How can we do that with the present situation?

We believe that many of the practices, particularly that of closing country branches, shows either an ignorance or an arrogance on the part of the banks. There is a perception amongst people in rural and remote Australia that no consideration is given to the unique problems they face. We would like to think these decisions are made through ignorance and not through arrogance. Banks and bank managers have always held a place of respect in local communities. This is sadly no longer the case.

In the past, concessions have been made to local charities and organisations such as our own. For example, our end of year bank certificate required by our auditors has always been supplied free of charge. Now we are being charged for it. It is not even the cost that we find so difficult but the fact that the banks feel they do not need to have any community service obligations. Certainly we know they are in business to make money and, at the end of the day, are responsible to their shareholders. But perhaps their advertising budget should be reviewed and, instead of costly media presentations, allocate some funds to simple public relations.

Many of their current actions are counterproductive, we believe. In the past, banks have shown very poor judgment in some of their loans. This has led to the public perception and questioning of their ability to make sound business decisions now. Their way of writing off debt and increasing profits is seen as simply

increasing fees and decreasing service. What if all business could do that? The government has forced social security recipients into having bank accounts whether they like it or not by decreeing that payments must go into an account.

We are told that electronic banking is a way to overcome problems experienced in the country when local branches are closed. This is a perfect example of ignorance on the part of those making the decisions. In my own case, because of the type of phone cabling that we have, we cannot use a touch phone. So how do we use electronic banking with our phone, which incidentally is out of order for 30 per cent of the time anyway? We are not unique in this situation and we are not remote—we are only 80 kilometres from town. It is this attitude that country people find very irritating, because no-one has bothered to check their situations out.

We are told that banks do not need heavy-handed regulations from government to control them; that competition will do it. I had to undertake a very interesting assignment recently in a subject I am studying. I had to get a hypothetical home loan from five different banks and compare rates and charges. The bottom line on a home loan between five banks with varying interest rates and different fees and charges turned out to be little more than a dollar difference. I do not call that competition and I do not call that coincidence.

The banks claim that branches are not being used, hence the closures. This is not the case. We have instances among our members where they have been notified that their account is being arbitrarily transferred to another branch—no discussion or choice of which branch whatsoever. If a branch needs to be closed, the community must be given an opportunity to adjust. This means consultation and time. The impact on a small community is enormous.

We believe these decisions are being made not at local level but at head office level, possibly by someone with a map in front of them—no idea of the condition of the roads between towns; no idea of where or when the sheep or cattle sales are held, that is, people do their banking and business on the day they go to the stock sale; and no idea where the hospital, solicitor, doctor or chemist are.

It seems really no different from closing a Chatswood branch and saying, 'People can use a branch at Willoughby,' except it is very different. Closure of banks increases the cost of living for rural people by causing higher fuel and wear-and-tear costs: it means longer hours travelling. Even in the country, time means money.

In the past we have been very well treated by banks; we have been able to discuss our business dealings with our bank manager. He has been a trusted member of the community and a confidant to many. If we had a financial problem or wanted some investment or business advice, we discussed it with our bank manager. Now in many cases we are directed to speak with a centralised office. I doubt very much that an officer at a centralised office would be able to give me advice if I said that I was considering going out of suffolk and into a line of open-face romneys because they were less footrot prone but needed a loan to tide me over.

Perhaps it is just because we have had good service and understanding in the past that we feel the withdrawal of it so strongly. Perhaps we took it all for granted. But I do not think so. It would be nice to

think that the banks genuinely want to fulfil their community service obligations but are unsure of how to go about it. Maybe we will be able to assist—even if in a small way.

CHAIR—Thank you very much for that. It paints a very stark picture, which those of us who come from the country are fairly conscious of. You were talking about government payments now being directed through banks. I am not sure it is obligatory, but it is certainly encouraged. What alternative would you suggest if it were not to go that way?

Mrs Shergis—Going back to the old system, a lot of recipients who received their cheque in the mail were able to go along to the local store where everybody knew them and cash the cheque in or pay it off against an account that they have there.

CHAIR—I would have to check it, but I think you can still do that if you choose. I will confirm that. You talk about the problem of perceptions of the banks: they no longer hold the same respect. In light of the modern changes that have occurred, how would you see that being restored?

Mrs Shergis—It can be done in even small ways. Our end of year bank certificate does not cost a great deal, but they are no longer prepared to provide that to organisations such as ours and obviously to other charities and that sort of thing. With just little things like this, people feel that withdrawal; they feel that they do not even care about the CWA. To supply that free of charge is not going to make a lot of difference to their bottom line.

Mrs O'Brien—Also, there is no personal touch now. I found suddenly that I had a new bank manager. Nobody had bothered to tell me. Nobody had bothered to introduce me to him or to tell me that the other fellow was going. Once that certainly would not have happened.

Mr CAUSLEY—First of all, congratulations on your opening statement. I think it truly reflects country Australia. I pursue this angle, which I believe the banks have not addressed. It seems to me that the banks have not thought through some of these issues, particularly for the country, and they are hurtling down this track of an electronic and cashless society—electronic banking. Yet it seems to me that there is no way in the wide world that certain sections of the Australian community can join that particular banking method in the next few years. From your statement, I assume that that is what you are saying: there is a section that the banks are going to have to have one type of banking for, yet they are heading down the track with another type of banking for others.

Mrs Shergis—Absolutely. We are talking about downloading for the smart card and this sort of thing. Even if computers were provided free to elderly people in country areas, a lot of them are never going to be able to use them. They will have no idea how to download anything. A lot of people will not know how to use the Internet. That is the way the banks are going. As I say, in our own case we cannot do that even because of cabling. That certainly comes back again to the infrastructure and Telstra. But there are situations that are taken so much for granted in the cities that the banks simply do not even know they exist, I believe.

Mr CAUSLEY—So it will probably be a generation before we can convert to even maybe satellite technology?

Mrs Shergis—Absolutely, yes.

Mrs O'Brien—I think Dr Walker was forgetting about the elderly and perhaps even in this day and age the illiterate and the itinerant workers, many of whom are from overseas. They may be given a cheque, and they probably have some sort of card with them but they are unfamiliar to small town shopkeepers or perhaps even some of the credit unions and it is very difficult for them. I think that Australia Post does have a role to play but whether or not they are going to do it without cost is another matter.

Mr CAUSLEY—You raised another issue about the knowledge of banks of the farming community. I think I raised it earlier. Is it your experience that you are now dealing with people who have no knowledge of agriculture and in fact are in distant banks and you are dealing with computers and not a person who understands the business?

Mrs Shergis—Absolutely, and as far as areas are concerned and things. If I were to ring the bank manager in Cooma and identify myself, he would know what our conditions at Yaouk are. If I were to ring a 131 number, they would not even know what state Yaouk was in and certainly would not know what our weather conditions and circumstances are. They would not know whether we are in drought or whether we are flood bound.

Mr CAUSLEY—And that is causing a problem?

Mrs Shergis—Yes.

Dr SOUTHCOTT—On Friday the Deputy Prime Minister gave us a tour of the stretch between Cooma and Thredbo and pointed out that it is in drought and that Gary Nairn is trying to do something about it in terms of accessing funds for drought stricken areas. Regarding the Internet, in New South Wales do you have any problems with modem access on the Internet? I understand that there are some remote areas where the quality of the telephone lines is not good enough to get decent access on the Internet. Is that a problem in New South Wales?

Mrs O'Brien—It certainly is in the western areas.

Dr SOUTHCOTT—Western New South Wales?

Mrs O'Brien—North-western and western.

Mr CAUSLEY—Not just western New South Wales; isolated areas in New South Wales.

Mrs Shergis—Yes.

Dr SOUTHCOTT—Have you used the giroPost facilities in Australia Post or Australia Post agencies?

Mrs Shergis—I have not because I have not needed to, but I am aware that they are available.

Dr SOUTHCOTT—You mention this in your submission. Is it a problem amongst your members that you cannot deposit or withdraw from Westpac, the National Australia Bank or ANZ? Three out of the big four you cannot access through giroPost.

Mrs O'Brien—In Taralga, for instance, which is quite a rich agricultural area within half an hour of Goulburn, one of the stores has an EFTPOS machine and people can withdraw a maximum of \$50 for the cost of \$5.

Dr SOUTHCOTT—So they have to pay a cost?

Mrs O'Brien—Yes.

Mr CAUSLEY—Fifty dollars would not buy much.

Mrs O'Brien—That was exactly my reaction.

Mr MARTIN—What bank is linked to that? Do you want to name the bank here?

Mrs O'Brien—Unfortunately, I do not know it. But I will find out and certainly advise the secretary of it.

Dr SOUTHCOTT—Is it fair to say that you are finding amongst your members there is a reluctance to take up the new technology in terms of telephone banking or using the Internet or even just ATMs?

Mrs O'Brien—Not necessarily our members. The elderly generally are in the country, even in a place such as Goulburn. Certainly in the outlying areas from Goulburn they will not go near those machines in the street. They just hate them. They think that somebody might rob them.

Mrs Shergis—There is also a recent report—I also know of people who have had this experience—on how people ask for \$200 but receive only \$150. What proof do they have? I understand that *Choice* magazine did a survey on it; it is not uncommon. The more those surveys are published, the more reluctant people are going to be to use ATMs. They simply cannot afford to ask for an amount, which comes out of their account, yet not receive the correct amount. Mind you, I do not know how many people are overpaid in cash. That is probably not reported. It is probably the underpayment of cash that is reported.

Dr SOUTHCOTT—Is it a common problem with the ATMs that they run out of money? Do you find that comes up commonly, or is that rare?

Mrs Shergis—I have certainly heard people say that it is not available and that the ATM has run out of cash.

Dr SOUTHCOTT—Presumably that is in an area where there is no bank or the bank is quite a way away?

Mrs Shergis—In Cooma during the snow season, that is a problem after hours with tourists driving through Cooma.

Mr PYNE—Mrs Shergis, you mentioned in your contribution that you would be looking at the community service obligations of the banks. A community service obligation is really an obligation of Australia Post to require the same price for mailing services, be it from Goulburn or Sydney. It is a requirement of Australia Post's charter and the legislation which governs Australia Post. The only obligation that the banks have is to their shareholders—which is very clear in the way that they behave—in terms of seeking a profit. Given that, therefore, there is no community service obligation on the banks to people in rural and remote areas and only to their shareholders, what would you have the government do about the problem of the banks closing as opposed to identifying the problem we have here and so elucidated in the questions? What would you have us do? Do you have any suggestions of what the government could do?

Mrs Shergis—Regional building societies have been mentioned before. There are, as has already been stated, problems with them inasmuch as, if the banks cannot operate profitably, can a building society or a credit union operate profitably? We are also putting it back to Australia Post. If we put it back to Australia Post, we need to be selective in what sort of services Australia Post provides. Australia Post is not set up as a bank. It does not have the security system and the same sort of situation. We need to look at how much Australia Post would take over.

We also have suggested in our submission what used to happen with the banks in our area of Adaminaby. The National Australia Bank had a building there, but they were open only two days per week. Someone came out from Cooma two days per week. That serviced us very well. We knew that we could go to the bank on Monday and Thursday. The local businesses could keep their money until that time. To have officers from the bank come out to some of the small areas may also be an answer. They have done it in the past. Presumably there were financial reasons why they did not continue with it at the time. We would like them to look again at whether that may be something to go back to.

Mr PYNE—Mr Martin asked me to ask you, because he unfortunately had to go, who came first. Did the retail shops close down and the bank was the last to go, or do banks close down and then the retail shops go after that?

Mrs O'Brien—The banks go first. I understand that in the United Kingdom they have a mobile banking service, which will go around these smaller towns and service them. Perhaps that is the answer. For instance, in Tottenham, which is 100 kilometres from Parkes, the only way that pensioners have of getting to their bank—their cheques go into the bank at Parkes—is on a bus that runs a 2½-hour trip each fortnight. It is a privately run bus. The population of Tottenham is about 350. The bank went and the doctor went. Therefore, they cannot use their hospital. A doctor comes once a month and does not have time to see all the nursing home patients. There is this domino effect everywhere. Perhaps a mobile bank would be a good solution to some of these places.

Mr ANTHONY—Do you think people would use mobile banks?

Mrs O'Brien—The elderly and the illiterate probably would. The elderly would welcome it. We are

an ageing population, so we are told all the time.

ACTING CHAIR (Mr Wilton)—I thank Mrs Shergis and Mrs O'Brien for doing what they said they would, which was provide us with a grassroots, first-hand perspective of what it is like out there.

Mrs O'Brien—We hope that it is of some help to the people involved.

ACTING CHAIR—I am sure that it will be. Thanks for coming. We will adjourn for lunch and resume at 1 o'clock.

Proceedings suspended from 12.06 p.m. to 1 p.m.

[13.13 p.m.]

BOTT, Mr William Bawden, President, Shires Association of New South Wales, 217 Clarence Street, Sydney, New South Wales 2001

COGHILL, Mr Ian, Member, Local Government and Shires Association, GPO Box 7003, Sydney, New South Wales 2001

McBRIDE, Mr Shaun, Policy Officer, Local Government and Shires Association of New South Wales, 215 Clarence Street, Sydney, New South Wales

WOODS, Councillor Peter Robert, President, Local Government Association of New South Wales, 215-217 Clarence Street, Sydney, New South Wales 2000

CHAIR—I welcome Councillor William Bott, Councillor Peter Woods, Councillor Ian Coghill and Mr Shaun McBride from the Local Government and Shires Association of New South Wales to today's public hearing. I remind you that the evidence that you give at the public hearing today is considered to be part of the proceedings of the parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submission, No. 48, and this has been authorised for publication. Are there any corrections or comments you would like to make about the submission?

Mr Bott—No corrections, Mr Chairman.

CHAIR—Would you like to make a brief opening statement before committee members raise questions?

Mr Bott—Certainly. First of all, I express the appreciation of the joint associations for the opportunity to appear. You would have read the detail of the submission. The important point we want to raise out of it is the impact that the closure of banks has on the smaller rural communities, particularly those with populations fewer than 2,000 people.

As the submission states, there have been 124 closures of bank branches in regional New South Wales in the last three years, and this has resulted in an additional 36 localities having no bank facilities. Of course, this impacts to varying degrees upon the community. What we are witnessing in New South Wales—it is probably indicative of rural Australia—in the smaller communities, where rural recession or depression has taken place, is a decrease in job opportunities. There has been a movement in the population of those who are mobile and have the ability to move away, leaving a population in the community which very often is aged and disadvantaged.

Part of the process results in a real estate devaluation, which again creates the opportunity for those who are more disadvantaged to obtain housing at a more affordable cost. So a higher proportion are impacted upon by the closure of a banking facility. Generally they are the members of the community who have the least access to credit cards and credit facilities, and they generally are the area of the population who have

the greatest need for cash transactions. Most of their transactions are of an essential nature and on small expenditure items. In terms of the provision of alternative banking services to them, they are also the area of the population that probably has the least access to technology and very often the least ability to utilise the Internet, should that be available to them.

The associations are saying that it certainly impacts on a number of areas. For those people affected, there is a greater propensity to draw larger sums of cash when they have the opportunity to do that, and fewer investment opportunities and less savings result. Also, there is a transitional movement of the people away from the smaller communities to the larger regional centres in order to do their shopping. If they go there to do their banking requirements, they will buy their groceries while they are there. Of course, that has a further contractionary impact upon the town where they reside.

This compounds what is happening right across the rural community, where we are witnessing, and have witnessed, the withdrawal of a number of government services in the banking situation. When it occurs, it is a further compounding of that, and it has a heavily detrimental effect on the confidence of these smaller communities. It has been detailed to me that bank closures in a small rural town in New South Wales result in a 20 per cent fall-off in trading at the local supermarkets. That is immediate. That will give you some idea of the potential impact.

In regard to ameliorating the impact, there certainly are a number of avenues available to us. The associations have detailed those in the submission. Access to cash certainly is an essential one. Automatic teller machines certainly have been put in place in some situations, but very often you will find that when you get there they are out of cash. Again, in terms of electronic transfer of funds, they can deliver the transfer of funds but they are unable to give you a balance or further banking opportunities that normally you would associate with investment advice, investment opportunities and, indeed, credit facilities.

The alternatives include the opportunity to use CreditCare, the project in which the Commonwealth government and the state government have been involved, and Councillor Coghill will be able to detail more specifically the effect of that particular program in Urana and how it has been used there—the use of credit unions associated with that. The local councils have been involved in agency provision. Again, there needs to be bank agency provision or the potential for that to occur.

Post offices have also played an important role in carrying on the opportunity for access to banking services. In that regard I would say that the Commonwealth needs to, in terms of competition policy or any other regard, carefully restructure or revamp the distribution of post offices across rural New South Wales. There needs to be some consideration given to the potential they have to actually fulfil other functions rather than just simply being the outlet for postal services.

The four major banks are still predominant even with deregulation across rural New South Wales, but if you go back to the pre-deregulation regime there was certainly a very privileged position for the banks. From recollection, seven banks were operating at that stage. They did have, in fact, a very privileged position in terms of their opportunity to access the market in rural New South Wales. There has been a great deal of loyalty displayed to those banking institutions throughout that period and we argue that there is actually a community service obligation upon the banks in today's environment with the withdrawal of banking services

to come forward with a degree of maintenance. As I say, that is what we would understand as a community service obligation.

The sort of activity that we are concerned about is that in relation to the closures—and I am not sure that this is currently occurring; I would hope that it is not—at the outset you find that the bank has closed—the announcement is made; there has been no prior notification of the intention to close—and you will get a letter in the mail saying that the bank has closed and they have taken the liberty of transferring your account to the regional banking facility of the same bank. That presumes a number of things. Firstly, it presumes that in the first instance the account is the bank's to actually transfer. I would argue that it is actually the customer's account rather than the bank's and that the determination as to where the funds should go or what should happen to the account should be made by the customer rather than the bank. If that practice has not ceased, it should. I hope that, as there is a perhaps more enlightened approach by the banking industry today, that particular custom and process have been discontinued.

Certainly, there is the need to give notification to customers of the intention to close banks and then we need to look at the alternatives that are detailed in the submission that can be available and should be available if at all possible: the opportunity for part-time banking at least as a minimum; the opportunity for some form of mobile banking; and the opportunity for agency banking in which, as I said earlier, local councils have been quite ready partners in a number of instances. The agency operation through councils has been an effective means of being able to continue a level of banking service to communities which are otherwise going to be disadvantaged by closure.

I will leave my presentation at that point. I will ask Councillor Coghill, as Mayor of Urana Shire, to go through the actual process that occurred there and what they have put in place. He will give you more definitive detail of the experience of the bank closure exercise and what it has meant to the community of Urana and Oaklands.

CHAIR—Thank you very much. Before handing over to Councillor Coghill, may I mention in passing that this committee, in one of its other roles, will be meeting with the NCC next week and that we are very conscious of the whole inquiry that is going on into Australia Post at the moment.

Mr Coghill—I would just outline our experiences in Urana when we lost our bank. Urana is a relatively isolated small country town. We had only one bank, which was Westpac, prior to it closing on 24 June 1994. Given the best endeavours both by the community and the council, we were not successful in attracting a credit union until 7 April 1997.

Immediately we lost the bank, of course, there was a drop in activity in town. The people's accounts were immediately transferred to a regional bank. So, to do their banking, people went to a regional centre where obviously they accessed larger supermarkets and small businesses, et cetera; they did a lot of their commercial activities in that larger centre where they had to go for their banking.

Eventually, after seeking a branch from several different credit unions, CreditCare contacted us, and they did an extremely good job. I assume that you are aware of CreditCare?

CHAIR—You might just like to explain how it works so that everyone is aware of how it works in practice. We have seen the policy.

Mr Coghill—We were contacted by a member of CreditCare. After interviewing people throughout the shire and the various businesses, she then did a business plan for a potential credit union in Urana. Then she approached several credit unions with the business plan, and eventually Wagga credit union set up a branch in Urana. However, a lot of cost was associated with that, particularly as we had had no institutions in Urana for 2½ years and people had become used to travelling out of town to do their banking, et cetera.

The business plan suggested that no branch of any credit union would make a profit in the first 12 months; it would take probably two years before it would become profitable. Because of that, council has been subsidising the operations currently to the tune of about \$20,000 per year—and included in those costs are the subsidies for a small branch which has opened at another town in the shire.

We were very fortunate with the rural access program, which is a Commonwealth program also. We obtained money, some \$28,012, from that program to help us set up the buildings and equipment that were required to get the credit union started.

Certainly since the credit union has opened there has been a lot more confidence in town. Perhaps this is one of the things I should have said earlier: when the bank closed, there was an immediate lack of confidence particularly not only by long-term residents but also council employees, the town's moving population—particularly senior staff. When you advertise for senior staff and there is no bank in the town, it is immediately a downer. Straightaway they think that perhaps they should look elsewhere for employment. The same goes, of course, for teachers, or nurses at the hospital, and all senior staff who can move through the community.

I would finish up by saying that the credit union is on the way. It appears to be successful. Certainly the deposits are well in front of the business proposal. But, unfortunately, the lendings are behind. As you are probably aware, for any financial institution lendings are where there is the biggest margin. I think most credit unions—and this particular credit union—are not into rural financing. That appears to be a problem at this stage. They are looking at coming to some arrangement with PIBA, the Primary Industry Development Bank, but at this stage they have not reached any agreement. Certainly, to be profitable, they have to get large sums out into primary industry. Until they can come to some arrangement with that, I think the credit union will have its problems in Urana.

CHAIR—Just to clarify that last point: you are saying that the credit union would be happy to, if you like, handle an agency for someone like PIBA?

Mr Coghill—Yes, this particular credit union would. I am not familiar with all credit unions.

CHAIR—Would you like to comment, Peter?

Councillor Woods—Chair, the Local Government Association covers about 5½ million of the population in the state. It basically takes in metropolitan, the large provincial centres and some of the larger

country towns. So, even though the impact of the diminution of banking services is certainly felt in a number of those larger areas, there are alternatives in many of them. But that certainly does not diminish our concern for our colleagues in the more isolated parts of the state and our recognition of the difficulties they face.

I would make one or two observations as a member of the Kelty task force on regional development—that comprehensive study that was carried out a few years ago. That task force was very much bipartisan in its composition with very senior people from business interests throughout Australia and the trade union movement. I was pleased to have been appointed to that task force because of my involvement nationally with local government.

One of the very important findings of that task force was that, to have an expectation of effective economic and regional development, you had to have the provision of the broad range of services. If you were going to continue to cut back in services—of which the banking industry is a very important one—then you were setting the scene to retard economic and regional development opportunities. That goes into telecommunications, financial and banking services, and the provision of other facilities.

One of the greatest retardants of regional development is that, if these services are not provided, it is less likely there will be movement into areas of people who may be part and parcel of the stimulus for that economic development and growth. In fact, international studies that have been done in that regard indicate it is very often the families and supporters of those who are going into areas to provide stimulus who will be the influential parties for those key people not going into an area because of those factors.

I would suggest that it is very important for the committee—and, indeed, ultimately for the government—to consider objectively a number of the observations and recommendations from that task force report because they very much link into the question that this committee is considering at the present time. It must be related not just in terms of the community needs, important though they are, important though it is that there be a community obligation for financial institutions to use the resources that they are gaining across the nation as a whole to be able to provide certain services to maintain their community obligations. Important though those are, it is important to look at it on a broader perspective as well.

I know that the task force recommendations, and so on, have been put into a big box in recent times. I would suggest that they get dragged out of that big box and objectively assessed in terms of the questions that are before the committee at the present time.

I might also say, representing the main metropolitan constituencies, that we are not offended by areas of cross-subsidisation. In fact, I would say that I am not at all the person most wedded to economic rationalism. I believe that there should be, as part and parcel of making profits across the board, an ability by institutions, including the banking industry, to provide for all Australians.

I believe that in the thinking of people in the larger metropolitan and provincial centres there is a recognition that we are one nation—not the other one that is talked about occasionally—and that it is not seen as offensive by people living in the large cities and provincial centres to ensure that their fellow Australians are properly provided with services. Therefore, I think there is an obligation on the part of government to recognise that that is in fact part of the Australian ethos. It should not be driven by the purists

of the economic rationalist school. It should in fact reflect the genuine principles and ideals of the Australian population. I do not say that lightly. I think that is extremely vital in terms of ensuring that our people in the less populous areas are able to have such service.

I think it has been demonstrated that a number of local governments representing their communities have endeavoured to assist in this regard. Counsellor Coghill has indicated in a practical sense what that means. But, even though there can be some degree of banking facility made available, there is still a need to have specialist services from people who understand rural financial management and planning and are able to give appropriate advice for people from the country sector generally on their banking needs. That is not going to be possible with all the goodwill in the world in providing some immediate service; there needs to be that professional service provided and that needs to come from the industry itself.

Local government may very well be placed on a cooperative basis, provided it is not seen to be the body that in fact provides the resources to keep that service going but rather works in a partnership role and recognises that there is an absolute responsibility on the part of the banking industry itself to in fact put in its share and to provide the professional skills that are necessary to maintain a full banking service. I feel confident that local government not only in the bush but also in my broader constituency would be very supportive of that for the reasons that I outlined before in terms of our proper idealism within Australia to ensure that everyone is appropriately looked after. I make those submissions in support of my colleagues. Thank you, Mr Chairman.

CHAIR—Thank you all very much for that. Can I clarify one point, Councillor Woods. You said that government would be the provider of services in regional areas and remote areas. In the question of banking, was it only government that you felt should provide that cross-subsidy or were you talking about that in a wider sense there?

Councillor Woods—No. I think the government needs to give a lead consequently here. But I think there are other services as well—

CHAIR—I was just talking about banking itself.

Councillor Woods—I am sorry; I have missed your point.

CHAIR—In terms of cross-subsidy—we are talking about banking and like services—were you saying that it is a responsibility of government only or—

Councillor Woods—No, not the government itself to provide the subsidisation but for government to ensure that it is provided; in other words, not a laissez faire situation where the industry just decides itself.

Mr CAUSLEY—That would have to be by regulation, because there is no other way.

Councillor Woods—I see no great difficulty, Mr Causley, with regulation. Sure, competition is a very good thing and I think we commend it. But I think there has to be responsible attention to competition policy. If that means having particular services in order to provide for proper and effective social justice, and

regulation is needed to be incorporated within that scheme of things, so be it. I do not think we should be offended, take a totally purist line and say, 'Let the market decide,' because in this country if that occurred right across the board not only in banking but in communications and everything else you might as well close up the bush.

Mr PYNE—It is not the market that is deciding; it is the shareholders of the banks, the owners of the banks. It is easy for people to say there should be some regulation and therefore cross-subsidisation for people in the rural areas. But you have to ask this question: how would the owners of the bank, the shareholders, react to being forced to run unprofitable ventures in the rural areas because of your belief and other people's belief that there should be some cross-subsidy? If I were a shareholder in a bank, I think that I would react rather negatively to the government allowing the market to operate all across the country but not in the banking sector and regulating to ensure that people were involved in non-profitable ventures.

Mr Bott—I think the response to that is what I said earlier, that it needs to be recognised that the market itself has not been pure either. The banks have operated from a privileged position in that there was restricted competition, and even today, even with the deregulation, it has effectively been the captive of the four major trading banks. There is effectively no input at all into the rural communities by the newer banks. So, if you like, the shareholders are gaining an advantage from the privileged position that they have had. There has been historically a commitment by the communities they have served to those banking institutions, and therefore their profits have been advanced by the process. In that regard, I think it is legitimate for us to say that there is a community service obligation at the time of retreat. It is the same as if an industry at Newcastle or what have you is going to have to retrench; there have to be packages put in place in order to protect those who are affected.

The same thing should apply to the banking industry. The question then arises as to who provides that. Is it legitimate for the taxpayer to provide it, the government to provide it, or should it be provided in some sort of partnership arrangement anyway through the institution that has been advantaged by the operation that has existed prior to that time, the banking industry? I would argue that there is no problem at all in that regard and that in fact it should be a condition of their licence.

CHAIR—I was going to flesh out a couple of comments that were made by Councillor Bott. I must admit that I think all of us were a bit taken back when you said that in one town when the bank branch closed the supermarket immediately lost 20 per cent of their turnover. I think that is a fairly stark figure that shows what the real impact can be. In your submission I think you said that 36 localities no longer have banks in country New South Wales. How many of those roughly have got alternatives like ATMs or EFTPOS or whatever, or have none? You also mentioned that ATMs often run out of cash. Is that a fairly regular occurrence?

Mr Bott—Let us go back. The 36 has been in the last three years, in my understanding. There is probably a greater number if you go back to the time of regulation; the number would in fact be greater than that. Where do we go from there?

CHAIR—You are talking about alternative facilities like ATMs and so on. How many of them have had those put in?

Mr Bott—I would have to ask Shaun to be able to detail that.

Mr McBride—We do not really have the information in relation to each of those localities as to whether there are EFTPOS facilities available. It is quite likely that in some of them local businesses will have EFTPOS, but what they have lost is bank branches or full banking services. It would be unlikely that in the 36 localities we are referring to they would be large enough to have warranted an ATM.

Mr CAUSLEY—I can answer for five of those, and the answer is none.

CHAIR—On the question of the ATMs when there is no bank in the town, you are suggesting that they are unreliable.

Mr Bott—My own experience is that when the banks closed there has been no ATM provided either. Certainly that would be the case in Urana and Oaklands.

Mr Coghill—No ATMs.

Mr Bott—But where they are in place, they need servicing from time to time, and often the community is drawing heavily on them for cash, and not infrequently they are found to be without funds. So they are limited in their application in terms of the provision of the total service that we are looking for. That is why we then need to move to the other alternatives of perhaps insisting that there are, certainly in the transitional phase anyway, some form of mobile banking, branch agencies or what have you so that people can access the full range of services. It is all right to say that you can do it through the Internet, and that seems to be the way today as well, but the statistic we use is something like 4.1 per cent of non-metropolitan locations as against 7.4 per cent for all Australians households. You would expect that the penetration of the people I was identifying earlier, who are very often residual in these smaller and more isolated communities, would mean that even less than 4.1 per cent would be able to access Internet. Unfortunately, they generally are the people who, either through financial position or indeed capacity, have limited access to that sort of facility.

Mr CAUSLEY—I am aware of branches being closed in towns where the major customer was the local shire. What effect does shires suddenly having no banks in their town have?

Mr Coghill—I can answer that from only Urana's experience. We currently use a bank in the neighbouring shire, in a neighbouring area, and have a courier service. Even the credit union is not capable of providing all the banking services that we require, so we are still obliged to do our major banking through our bank in a neighbouring locality and use some day-to-day services in the local credit union.

Mr CAUSLEY—So it is an inconvenience to you?

Mr Coghill—It is certainly an inconvenience. The cost of the courier is \$151.34 per month. If you are handling large amounts of cash you have to use a security service, and then the cost becomes astronomical.

Mr CAUSLEY—In relation to accessing the alternative services that the banks are talking about—the

electronic services—I notice in your submission you are a little critical of the government's infrastructure fund. Could you elaborate on that?

Mr Bott—Perhaps I need some assistance as to where we are critical. I did not pick that up.

CHAIR—I can tell you. You talk about computer and Internet access on page 4 of your submission. You mentioned the figure, as I think you mentioned a minute ago, of only 4.1 per cent. Then you went on—

Mr Bott—Where it says:

Information technology infrastructure is deficient in many rural and remote locations, with poor quality access and high costs frequently involved.

I am hopeful that that will change, but certainly that would be the situation currently. I access the Internet but I have to make an STD call in order to gain that access, so quite obviously the cost is increased.

Last week the Deputy Prime Minister addressed us down at Urana. He talked about—I think it was at that meeting; I may be incorrect—the capacity for a degree of Internet ability to be provided to isolated communities. I am not sure where the government is in regard to that, but I think there is a real opportunity in that regard for councils again to act in partnership with the government in order to assist in the provision of, if you like, the essential infrastructure.

To some degree providing that has been talked about—I am deviating a bit from the banking issue—through public library services. The difficulty you have with the library service having the Internet facility is that quite obviously for those wanting to conduct business it is a difficult environment. Indeed, it is a difficult issue for a public library to be providing that service. But I think there is a role for local councils—we have not fleshed this out yet—to become involved should there be funding of that nature available to isolated communities for us to be able to provide that facility in a location that is suitable to the operation as proposed.

CHAIR—On the next page, page 5, you have:

Infrastructure Fund purports to address these deficiencies, there is concern that the response is inadequate and that the results will be piecemeal. Increased funding and a comprehensive strategy are required.

I think those were the comments that Mr Causley was referring to.

Mr McBride—The concerns we are probably expressing there are that, firstly, the funds that have been allocated over I think three to five years were probably inadequate nationally. We as an association have also been critical of the distribution of those funds between states. That is not an issue that we intend to take up here, but that has certainly been a criticism in New South Wales.

Our concern about it being piecemeal is that we are not convinced that it is supported by a robust enough strategy or a coherent strategy to ensure that the maximum effect or outcome is received through use of the funds. I suppose the concern is that it could be allocating a large number of small projects that do not

integrate. That is probably the concern we are expressing there. Others have probably also expressed that concern.

Mr PYNE—Councillor Coghill, I assume you have lived in Urana for a long time.

Mr Coghill—Too long.

Mr PYNE—At least 20 years. These questions are meant not to be impertinent but to get onto the record some of the facts about country areas. Urana is a town, I assume.

Mr Coghill—Yes.

Mr PYNE—And 20 years ago how many pubs would Urana have had?

Mr Coghill—Two.

Mr PYNE—Has it got two still?

Mr Coghill—Yes.

Mr PYNE—So it is pretty small.

Mr Coghill—Even though the president of the shires association was there last week, he declined to stay in them.

Mr PYNE—As for clothes shops and farm outlets like Dalgetys and Elders, have they in the last 20 years gone down from a number to very few?

Mr Coghill—There has certainly been one stock and station agency close. That would have been about 20 years ago.

Mr PYNE—Were there many shops in Urana 20 years ago?

Mr Coghill—You are testing my memory. Quite a few have closed in the last 40 years. There used to be a haberdashery, et cetera, but now there is the supermarket plus a couple of cafes and corner stores.

Mr PYNE—Has the population declined over that time too?

Mr Coghill—Yes.

Mr PYNE—Substantially declined over 20 years or 40 years?

Mr Coghill—I think you would have to say that in the district—and I do not have the figures in front of me—there has been a decline over that period.

Mr PYNE—So it is fair to say that in Urana a lot of the shops that were there 40 years ago and 20 years ago have closed over time for market reasons and the population has declined. So why would people expect that banks would not, as commercial enterprises, also rationalise their operations?

Mr Coghill—Everybody would expect them to rationalise their operations. I do not see the necessity to completely withdraw their operations. The credit union in Urana is opening three afternoons per week. Why can't banks look at something similar—rationalising operations rather than completely withdrawing their operations?

Mr PYNE—So you think that people in rural areas are not so much upset about them closing down their banks as they are withdrawing services completely from the town?

Mr Coghill—Yes.

Mr PYNE—There has been some talk about mobile banking. Has anyone done any work in researching the viability of mobile banking in your organisation?

Mr Coghill—Not that I am aware of.

Mr McBride—Not within our organisation.

Mr PYNE—So it is just an idea that people are talking about?

Mr McBride—It has been spoken about. I understand the Commonwealth Bank may be trialling it. I am not sure whether any other banks are currently trialling it.

Mr PYNE—So you do not know whether the banks regard it as a viable or unviable option for them?

Mr McBride—No, not as yet.

Mr WILTON—I take it that most rural municipalities and employers in your area would pay their employees by electronic funds transfer. Can you cite any examples whereby the closing down of banks in any particular town, and there being no replacement with an ATM, might have forced any employers to revert to cash payments with their employees?

CHAIR—Cash or cheques.

Mr Bott—I cannot think of any. That is not where I would see the impact upon the business being.

Mr WILTON—In the event that a bank closes down and there is no ATM to replace it, how is that employee paid in that part of the world?

Mr Coghill—In Urana depending on the employee, it is either the bank, the post office, the cafe or the store that cashes the cheque.

CHAIR—So they have to carry the extra cash?

Mr Coghill—Yes.

Mr Bott—Think about a hotel: a hotel is probably the point where they go for their alternative banking. So you finish up with fairly large cash deposits in an insecure situation—at a hotel—until such time, as in the case of Urana, as the man in the hotel takes it to Corowa. I do not know how often he would do it, but that is a major problem for those businesses that exist. They are not going to turn their customers away—they are people they know and have dealt with for a long time. But, at the same time, it means that invariably they are being used as the bank.

Mr Coghill—One of the disadvantages when you have no bank is that there is a lot more cash in society: it is a security problem. Whether it is in a business or your own home, you are holding a lot more cash. It is not a cashless society as yet.

I gave the impression before that Urana was down and out when the bank closed. Seeing it is on the public record, I want to say that spirits certainly have lifted in the community since the credit union started up, particularly with the older people, the retirees and some of the young people who do not have the capacity to travel. Their cash and accounts are available to them, whereas before, when the nearest bank branch was 50-odd kilometres away, it was not.

Mr CAUSLEY—Can you see credit unions or something similar replacing the old bank system in those rural communities?

Mr Coghill—Certainly not in a business way, but I can see it happening with small personal accounts, particularly employee type accounts, where virtually all their borrowings will be on homes and cars or personal borrowings. I cannot see them replacing them from a business point of view—primary industry lending, et cetera—unless they have a tie-up agency with another major institution.

Dr SOUTHCOTT—In the 36 locations that have had no banks over the last three years, is there any mobile banking?

Mr Bott—Not that I am aware of.

Dr SOUTHCOTT—How widespread is mobile banking in New South Wales? I think it occurs in the Illawarra.

Mr Bott—I have no detailed knowledge of how widespread it is, but I would say it is infrequent.

Mr McBride—As I said before, the only service I am aware of so far, which I think is only on trial, is provided by the Commonwealth Bank to some remote locations. I would expect most of those 36 would benefit from such a service. It would be a matter of having to travel to larger centres to fulfil banking services.

Dr SOUTHCOTT—In those areas that have no bank at all, what sort of problems would you anticipate if giroPost was extended there? Some of those centres may already have giroPost.

Mr McBride—I would say that most of these are pretty small places and if banking services are provided through post offices—if they have a post office or post office agency—they would still be very limited. Some of those locations would be lucky to have retained a post office service—probably on an agency or subagency basis—but banking services out of those arrangements are very limited.

Dr SOUTHCOTT—They would have access to financial transactions, and they could make deposits there. The problem is they would not have access to business finance. Perhaps you could argue that business finance is a very difficult area that requires quite a bit of expertise, and perhaps that is a facility that should be more centralised. I would like your views on that.

Mr Coghill—As far as the council is concerned, even the credit union does not have a sufficient range of services to satisfy the needs of the shire. The post office agency we have in town has even fewer.

Councillor Woods—It is a matter of availability. There may not be a demand to have ongoing specialised services on particular rural financial management and loan arrangements and so on, but the banks have to make certain that there is a point of focus that provides day-to-day facilities that go to the people. There has to be easy access for people, without having to jump in the car and off you go to another place. Then it comes back to what Councillor Bott was referring to: while you are there, you might as well do all your grocery shopping at the same town. So you are destroying the economic viability of that small community further. If you are talking about mobile banking facilities, it is also mobile expertise that is the responsibility of the banking industry to provide. You need that point of focus.

CHAIR—Thank you all very much, Councillor Bott, Councillor Woods, Councillor Coghill and Mr McBride, for coming along today and for your submission to the committee. It has been a very valuable part of our inquiry. We certainly appreciate the time you have taken and the effort you have made. Thank you.

Mr Bott—Thank you, Mr Chairman, for the opportunity. Change never comes easy, but we need to mitigate the impact as well.

[2.05 p.m.]

McGUIRE, Mrs Norah, National Treasurer, Australian Pensioners and Superannuants Federation, Level 2, 619 Elizabeth Street, Redfern, New South Wales

THOMAS, Mr Gerard, Policy Officer, Australian Pensioners and Superannuants Federation, Level 2, 619 Elizabeth Street, Redfern, New South Wales

CHAIR—I welcome Mr Gerard Thomas and Mrs Norah McGuire from the Australian Pensioners and Superannuants Federation to today's public hearing. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of the parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to the contempt of the parliament. The committee has received your submission No. 84, which is now authorised for publication. Do you wish to make a brief opening statement before I invite members to put questions?

Mrs McGuire—Yes, I would like to. For the benefit of those members of the committee who do not know APSF or do not know us very well, we are an organisation that has been in place since 1957—basically an organisation of older people run by older people. It is a consumer organisation. Our organisation is a grassroots organisation whose policy is made by our members, not by anybody else. I will not go further into APSF.

In relation to what we have been doing in banking, since I think approximately 1990 we have actually contributed a great deal to the banking industry as well as to government to let government know what the problems are and in some cases the solutions, which we hope we can find, for older people and banking. We have tried to make sure that older people are not left behind by the technological changes. We know that not just older people are affected by those changes, but a lot of older people for various reasons do not want to be involved or do not understand.

We have also encouraged banks to improve the services and products they provide to older people—in particular retired people, but also for people on low incomes. In doing that, we liaise with key groups such as ACOSS, Welfare Rights, Carers Association—all people who are interested in making sure that for people on low income the banking system is accessible. Of course there are other older people's organisations such as COTA and the RSL. We have also worked with the industry, which is of course a very important part of our work, to make sure that they know what older people need in banking and what are the problems. As I pointed out before, it is not just about problems; we are eager to help solve those problems. We have done considerable work with the Bankers Association and also with individual banks, particularly the big four. We hope to continue to be able to do that.

We have worked on things like the deeming policy, encouraging banks to put in place deeming accounts, and our 10-star guide, in which we ranked banks according to their products and what the products contain for older people so people can look at them and compare. One of the worst problems with the banking system now is that it is very hard to compare the various accounts. It is hard to say whether this one or that one is right for you. With deeming, we believed that was something that had to be put in place, and we did; and we are hopeful that we can continue to liaise with the banks about those particular accounts. But

there are lots of other areas in which we need to look at accounts that are specifically targeted at people who do not have a lot of money but who do need a bank. One of the problems we see now is that some of the solutions being talked about are going to force people on low incomes out of the banking system. We do not believe it is in the interests of anybody for that to happen.

We are continuing to talk about the fact that the introduction of fees and the continuing escalation of fees has made a lot of the accounts that were viable for people on low incomes definitely not in their interests any more. One of the things we have been pushing for for a long time is a basic bank account for low income people. That does not address what we are here to talk about today, but it is a very important ingredient of banking and access to banks.

For older people, there are quite a few problems with access to banks where there are banks and, where there are no branches, even if there is an ATM or an EFTPOS, there are problems there, too. We cannot say that electronic banking is going to be right for everybody. There is an increasing population of older people, as we have already been told, and of course there are a lot of older people who have some impairment or disability. We believe that is not being taken into account. Electronic banking is fine for some, but for a lot of other people who have an impairment or have a disability—and that is a lot of people—we believe that something else has to happen.

Old people are not technophobes. They quite often take to technology. Personally, I have been using electronic banking since it first started because it is convenient for me. But for a lot of people it is not convenient. They do not like the idea for various reasons, such as for reasons of privacy. Older people in particular like to be able to know what is left in their account, because if you have a low income you have to be very careful with your money. If you cannot access your account balance, which happens with EFTPOS, it does not help. There are still a lot of people out there who have passbooks and want to continue to have passbooks. When the deeming accounts were opened, the banks had to take into account that a lot of people still wanted to see that their money went into that passbook, or came out, and that they had a balance.

Information is another area in which people have problems, and not just older people. As I said before, it is very hard to compare accounts. The lack of accessible information—sometimes there are reams of it but nobody can understand it—is another problem. When we look at what is happening with the rural areas in particular, but also in some metropolitan areas, including inner Sydney, where bank branches are closing or an ATM or EFTPOS is left behind, older people are particularly disadvantaged.

If you have to go away from your local area to bank, as Councillor Woods pointed out—I think it was Peter Woods—you do your shopping there. In one case, there were two banks and they both closed their branches. The banks were told, ‘There are a lot of older people in this area. How are they going to bank?’ They said, ‘We’ll leave an ATM,’ and one bank did. The other bank is saying that people should use Australia Post. The problem is that those people cannot get around to those areas. So they are being taken by community transport to a mall where there are lots of bank branches and they are doing their banking there. They are also doing their shopping there, so the local shops are closing. It is not just in rural areas, but we do know that it is becoming harder and harder in rural areas.

Older people might have a car but, as you get older, sometimes you cannot afford to keep a car going

and sometimes, for various reasons, people relinquish their licence. If you do not have a car—and let's face it; there is no public transport in these areas and very little private transport—how do you do your banking? Sure, you can bank over the phone but that is not going to do much good. The phone does not give you cash if you want to go to the local store.

So for older people, a lot of the problems with bank closures and the reduction in services are exacerbated because it is harder for them than for, say, the shire council to get a courier to take money. An older person cannot pay somebody to go and get their money out of the bank. If you look at it, there are also social implications. People who cannot get to do their shopping or cannot get to the bank and have things like shopping delivered do not go out of the house. You do not go very far if you do not have the money to go far and social isolation in rural areas is quite a problem now for older people and could become an even bigger problem. Having gone through all the problems, we have tried to look at some solutions and I will let Gerard talk about those.

Mr Thomas—Certainly, it is quite clear from our perspective that some consumers and certainly some older people are experiencing increased access, lower cost and better services. On the other side, others are facing reduced access, higher costs and what they see as lower standards of service. Certainly we see that there is a lot of potential in new electronic forms of banking. Indeed, we have worked closely, as Norah indicated, with the banking industry to try to alert them to the sort of misunderstandings and misconceptions that older people have. We realise that many older people do need to change the way they are banking because the costs are simply unaffordable. One of the great concerns of our organisation is that, given there is no limit on what the fees can be, we are certainly seeing that they are causing a great deal of financial hardship for people. It may only be a couple of dollars a week, but that is quite a considerable amount if you are living on a fixed or low income.

We have noticed over the last year that some of the financial institutions have introduced fees, sometimes for the first time. Some fees on deeming accounts, for example, which we monitor closely, have increased by 100 per cent. This is a considerable amount and is certainly having an impact. I might make a few points about some of the possible alternatives that could be put in place. We believe there needs to be a package of measures or initiatives which can address problems in relation to choice, access, information and cost.

The other big issue is in relation to ensuring that older people and consumer groups generally have the ability to provide input and advice to both industry and government. In that regard, it is quite unfortunate, indeed distressing, that groups such as the Consumers Federation of Australia and our own organisation had all of their funds taken away in the last year and a half.

We are certainly seen by many in the welfare and community sector as an organisation that quite competently and expertly represents the interest of people on low incomes. Certainly, we see the benefits of what we do in relation to banking flowing through to all older people. Indeed, a range of retiree organisations rely heavily on the work we do in this area.

In relation to some possible solutions for older people, obviously phone banking is promoted as a convenient, cost effective way of doing banking, and it certainly is for many people. For many people, it is

their preferred option. However, the problem with this option is that some older people obviously do not have access to a phone. I think the Australian Council of Social Services indicated that one in four people on newstart do not have a phone, for example. That makes it difficult to search for jobs and the like, to negotiate with employees, et cetera, and it is quite difficult in relation to banking. How are those people supposed to access phone banking, for example? Some of the new banking systems—such as the BPay system—are also less available to people who do not have phones.

The other concern is that many low income older people may only have the phone which is produced by Telstra called Incontact, which allows incoming phone calls, not outgoing phone calls. So those people, again, are excluded from accessing some of the potential benefits which are on offer. So I think there are some real issues there about what the benefits of this new technology are going to be and whether they are going to evenly flow through to older people.

There are also some concerns in relation to the consumer protection issues in banking over the phone. From my understanding, the electronic funds transfer code does not adequately address some of those issues. There are also issues such as hearing and arthritis, which are large problems for many older people, and they certainly limit their ability to use the phone and do their banking.

Another option which is looked at is increasing the financial service obligation of Australia Post. Certainly, that is one option. Nevertheless, it is also an electronic option so, again, many older people—apart from having Commonwealth Bank access in terms of using passports—who feel alienated or concerned about using that technology may have problems with that. On the other hand, some people point out that they feel a bit more secure in withdrawing money in a post office than doing it out on the streets. So there are pros and cons to all of these issues.

One of the concerns in terms of post offices is that we get complaints that, because of removal of bank branches, there is more traffic in post offices, there are security concerns. Obviously, the post office would not want to be cluttered up with a whole range of leaflets as is the situation in banks. So there is reduced access to information about, for example, fees and charges and the like. So I think people want access to those sorts of things, and that is really important.

The other concern is that a lot of post offices are not linked electronically, so there is limited accessibility in that area. CreditCare is an option which the APSF has welcomed. Indeed, we have welcomed the increased funding in the last budget. Certainly it is a positive recognition that the government has at least some responsibility for consumers in rural and remote areas.

However, feedback to our organisation about people who have tried to establish those sorts of services in their area once banks have moved out suggests that there are problems in terms of lack of resources, lack of funding and lack of expert skills to get the systems up and running. Also, I think you need to be cautious not to overestimate what benefits can be brought from that program. If you have every rural community in the country lining up at CreditCare, it would certainly cause some problems for that organisation. Nevertheless, we think it is quite positive and we certainly welcome improved funding for that option and looking at other sorts of options.

With regard to banking at supermarkets, while we are not sure whether this is going to eventuate, certainly in some overseas countries it has taken off in quite a big way. How consumers have fared in that regard is not clear. To some extent, the alternative to remove traditional bank branches depends on the networks of supermarkets. It may be the case for many smaller areas that there would not be a supermarket which would take the banks' place. There is also a range of other issues involved. Our feeling is that, at this stage, you are talking about electronic transactions by supermarkets. That again creates some difficulties for some older people. There are also questions like: would banks, for example, pay deeming rates? Where would you put your deeds—next to frozen peas? There are a lot of practical issues that you need to look at in that regard.

Another option—again, I do not know whether it is a possibility or not—is the government taking a bigger role in this issue and the Department of Social Security providing a banking type service in terms of its large networks. Again, in theory that would work but there is a range of issues. For example, it would need to pay interest on the money. What impact would this have on the marketplace? Would it be subject to cost cutting in future years? What would the cost of this sort of service be? Nevertheless, we think that is an option which could be looked at. Certainly, in that regard, we think there is room for the Department of Social Security to play a greater role in providing much improved information about the choices available in banking and how people can change accounts, access accounts and so on. They have certainly done a bit in recent times in response to the urgings of our organisation. We are hoping that they will do a lot more in that regard.

The other possibly which has been talked about and perhaps hyped up a bit is the issue of payment of Social Security pensions by smart cards. We certainly think that there should be a very cautious approach in relation to smart cards. The technology is very much unproven. We certainly think there are a range of privacy and cost issues which would need to be adequately identified. There could be possible stigmatisation of people using, for example, a DSS smart card. We do accept that it could be useful in some circumstances, but many older people would be concerned about the security and safety of the system regardless of whether the providers assured them that it is safe. There is a range of issues which would need to be adequately addressed before consumers would find those sorts of options acceptable.

We have already had some discussions with Centrelink about those sorts of options and they have indicated a desire to work with us on some of these issues. Again, that depends on our ability to see at what level our organisation can continue at, given that we are receiving government assistance to do this important work.

The other important issue in relation to any of these matters is what involvement older people have in the design of these sorts of system. Look at the problems with EFTPOS and ATMs. They are being thrust upon older people. The designs of those sorts of systems have not taken into account practically how older people could utilise them in an easy fashion and how they could overcome the concerns that older people have about using them.

In any of these new developments it is critical that from the very start they look at quite functional design issues and the implications for older people. Older people have different attitudes to younger people towards technology, gadgets and gismos. In the design of these things they need to take that into account.

There are a couple of other points that I will raise later but in terms of the options I think that is a reasonable start.

CHAIR—Thank you very much for that detailed submission. I think it certainly raises some very fundamental issues. Mrs McGuire, in your submission you did mention the risk of forcing low income people completely out of the banking system. Do you have any evidence of that occurring already?

Mrs McGuire—At the moment, not a lot. I do know of one or two people who have decided they are going to get the Department of Social Security to pay their pension by cheque again, which is something the government got out of. I know of one who has succeeded. There are others who are talking about it.

The problem is that if you look at places like America where people are paid by cheques and have no relationship to the bank—and there are millions of them; they have to go to places like shopfronts to cash cheques et cetera—I think that the smart card could possibly be one way in which people will be forced out of the banks. If we look at a smart card—and if we are talking just about social security recipients—it is a way of accessing your money. We already have that; we have it through the banks. Sure, a lot of people do not get cards, but again a lot do. Maybe what should be looked at is encouraging more people to use electronic banking. That means addressing their concerns, not forcing them to do it, and to use the banks.

I cannot see much benefit for Social Security to do that because, at the moment, they give the details on disk to the banks—or on tape or whatever they use at the banks—and that is Social Security's role over and done with. If you are going to have smart cards, you are going to have a lot of problems. But, yes, I see one of the things that it could do is force people out of the banking system, if people had to access their money in some other way.

I believe that for the department to issue smart cards and then say, 'Access your money through the bank' would probably be seen by most people as a little silly because they are already doing that. Why use smart cards if people are already able to access their money by card if they want to through a bank?

CHAIR—Tell me if I am wrong, but if you had a smart card you would not necessarily have to fill it up with cash at a bank; you would be able to fill it up at any terminal, for example, an EFTPOS facility, wouldn't you?

Mrs McGuire—We do not know. The problem is that we do not have details. If you can fill it up at any terminal, what is the cost? Surely, the government would not pay the cost; the consumer would pay the cost and, once again, you are going through a bank.

CHAIR—Maybe.

Mr Thomas—I think your point there about probably reloading these things through Telecom or through vending machines or what have you certainly would be an option. You would not necessarily want to go to a bank. I think the other important issue is: how do people make third party payments, for example? What are the other things, beside putting money in and taking it out, that are important in relation to having access to a bank?

Back to your other point about what sort of feedback we are getting and the evidence about people being forced out of the banking system: certainly, we do get a lot of anecdotal reports that people are hoarding money at home under the bed; that they are taking out more money than they need to, and that makes them feel quite vulnerable and insecure in the sense of being frightened about house invasion et cetera. I think these are the sorts of emerging problems that we are seeing.

CHAIR—Could you expand on that last point about taking out more cash? It has often been said that older people sometimes do carry more cash than is wise. Is that increasing?

Mr Thomas—It is hard to say. I do not know if the banks have any indication whether that is increasing, but we certainly have people saying that, as an alternative to paying constant fees, they are taking out more money than they need. That is obviously not just bank fees. The impact of government taxes also kicks in quite heavily, particularly on people on social security payments. That certainly is a problem which we are seeing.

Mrs McGuire—We have people more often saying, ‘I can’t afford a bank account.’ The only reason they still have one is that they are receiving a pension that is paid through the account. So that could change.

Mr CAUSLEY—You mentioned the design of ATMs. Some of the new ATMs have better displays than the old ones, haven’t they? You do not have to peer through a slit. There is a display panel and it is a lot easier to access. Is that what you are talking about?

Mrs McGuire—It might be for some people but not for others. There are some people with vision impairment who still would not be able to access it. There are people who have physical disabilities that mean that they cannot access the ATMs. We know it is about pushing buttons, but there are people who actually cannot do that.

I saw some pictures of ATMs that are being used in America for people with disabilities. That is fine, except they were at a height at which somebody in a wheelchair could use them but somebody like me could not because I cannot bend over. There are a lot of things that have to be taken into consideration. Unfortunately, as Gerard said, instead of finding out first what is needed and then getting the designs and putting those kinds of things in place, somebody who decides they know what we need, whether we have disabilities or not, whether we are older or not, puts them in place. Of course, they do not always fit the situation we need.

Mr CAUSLEY—I know older people do not like plastic cards to a great extent, but they are safer, really, than carrying cash. If the smart card is as good as they say it might be, and none of us know exactly what it is going to be at the present time, would it not be more secure than having cash?

Mrs McGuire—I myself try to encourage people to get the plastic cards, the ones the banks have at the moment. I believe the smart cards will be less secure. They could lead to increased financial abuse of older people, and that is already happening out there. They might make it a little easier because, as you say, we do not know about the security aspects; we do not know whether somebody will be able to use them. If somebody gets an older person’s card and wants to use it, if there is a pin number and the older person

remembers it—because a lot of us do not—it is quite easy sometimes to get them to tell you what it is.

I sincerely believe that smart cards could be the answer, but they have to be looked at before they are implemented. They should not be tried out on people such as older people with pensions because, unless there is input from those people and unless they are trialled properly, they could be a disaster. They are very easy to lose, too.

Mr WILTON—It would seem that a major problem confronting older people in rural areas where banks are to close is the fact that they know they are going to lose the personal relationship they have developed with a particular teller—that contact and that one-on-one service. You have suggested that Centrelink would be a possible agency to embark upon a training program. Would it not increase the chances of any aged rural person using EFTPOS or an ATM if it were in fact the teller whom they have come to know well who engages in that training process before the bank actually closes?

Mrs McGuire—We have worked quite a bit with the banks about encouraging people to use electronic banking. We believe that there need to be people, older people in particular, whom other older people trust to help with that education, if you want to call it that. In fact, one of the banks is looking at getting their retired bank managers to go out to offer the services so that people can try an ATM or an EFTPOS machine in a secure environment with somebody there who is not going to be judgmental but will help them to go through it.

There are a lot of reasons why older people do not like to use ATMs and EFTPOS machines. Security is a very big reason, and privacy is. It is about making an error in front of a group of people trying to get to the machine when you have to go back and start again or admit that you cannot use it properly. It is about pride; it is about dignity; it is also about privacy. A lot of people talk about EFTPOS machines and say, ‘Well, what if the person behind me in the line is looking over my shoulder when I put the number in?’ Of course, it is very feasible. That is a very closed-in environment. You have a queue in a big supermarket and everybody is trying to get out. So there are a lot of things. I think the idea of people getting used to them, yes, we have been saying that for ages. But I think it is better if their peers are the ones who do that.

Mr MARTIN—We have been talking a lot about the delivery mechanisms for older people in Australia in respect of banking services, but can we take a step back into those areas in rural and regional Australia where, if we can look at the information provided by the ABA this morning, it indicated that a lot of rural communities were declining in population. The consequence of that was that a lot of services in towns—a lot of shops and so on—subsequently closed. Usually, according to them at least, the last thing that closed was a bank. It would move out of town, thus leaving a small community—and we recognise that, in terms of being of a pretty small population that we are talking about here—therefore not having direct access to a bank. For all the issues that your paper raises about the personal contact element and so on, this is something that has been around for some time as an argument as to why people, particularly elderly people, like that face to face contact.

I think it was said that perhaps there was a duty on governments to step into the breach and replace the banks in the delivery of some of those banking services. I think that was one of your suggestions, for example, that might happen. In such small communities, though, probably you do not have the Centrelink

proposal or some of those Commonwealth-state services that are there. Indeed, around much of regional and rural Australia, a lot of those services, both at a Commonwealth and a state level, are being withdrawn anyway and are being centralised more or being regionalised more.

That being the case, have you got any other positive suggestions as to how some of these banking services specifically might be delivered, aimed at your constituency—not the general population but specifically aimed at your constituency—given the concerns that Mrs McGuire has expressed about things like physical and other impediments for elderly people, given difficulty in perhaps having access to some of the high-tech that might be around, and given perhaps some of the concerns that the witnesses this morning raised with us about even the infrastructure that is in place not being capable of modern technology being applied as yet? Have you got a few suggestions that might guide the committee in that respect?

Mrs McGuire—I did think of one suggestion, when the previous people were here from a local council: banking does not have to be five days a week in those communities; banking could be one day a week. I presume it would have to depend on how it fitted into the community. Surely, the councils and shires might look at helping to provide those services by providing the facilities, so that whether it was one day a week, or two days a week or whatever, the banks could actually set up in that small community and deal with those issues, and also with people like pensioners and others who do their banking at a fairly regular rate.

Mr MARTIN—Would you envisage that all the banks do that, or some of the regional banks, or some of the major banks? Which bank?

Mrs McGuire—I know about competition and I suppose there are not supposed to be things like collusion, et cetera. However, wouldn't it be a good idea for the banks—in particular, the major banks—to get together and to say, 'Look, we know there are these problems; how about each of us try to help in one community.' Something like that. The banks would probably not be very happy with that, but I think that would be a good idea. You do not want all the majors in one small community. You only want access to a bank for people when they need it.

Mr PYNE—Mr Thomas, in your submission, you made the statement that Australia Post had not been or is not linked electronically? Could you explain what you meant by that?

Mr Thomas—Actually, I got that information out of the report Australia Post did. Basically, it is my understanding that they do not all have EFTPOS capacity. Some community post offices or some smaller ones cannot provide electronic banking services such as EFTPOS machines.

Mr PYNE—They could, couldn't they?

Mr Thomas—There could be.

Mrs McGuire—There is a cost.

Mr CAUSLEY—I think it is only agencies at the present time.

Mr PYNE—In your statement, you also said that people were reticent to go to Australia Post. Is there any evidence for that assertion?

Mr Thomas—I suppose it is just the complaints we have had to our organisation. We have not done a formal survey of people going in and out of Australia Post, but certainly we have had complaints from people about lack of seating and lack of privacy in Australia Post. People have to be almost shouting over the counter, with other people around, when dealing with issues which they would rather deal with more privately, as they are used to doing with the banks. The other thing they have difficulty with is that now in a lot of the post offices they have the strings that divide long queues and so on, and for older people with the walking stick or some mobility problem they are difficult things to negotiate. They also felt that it was difficult to find everything. For many older people who go into a post office to buy a stamp, the whole range of merchandise, which is obviously a sensible way for Australia Post to go, is a bit perplexing. That is what I meant by those comments.

Mr PYNE—One of the arguments put to the committee is that there should be a one-stop shop arrangement in a lot of the small rural and remote communities and that Australia Post would perhaps be able to fit the bill in some of those areas. It could do banking and utilities payments and all those sorts of things, as well as other things. If you do not believe that Australia Post is the right vehicle for one-stop shops, what would you suggest is?

Mr Thomas—I do not think I in any way suggested that Australia Post was not the right vehicle. I just said that in the changing delivery of service from Australia Post, as in any issue, there is a need to consider how the users, and particularly older people who are going to be using those things, cope with those changes. That was a reason for including those comments. We say later on in that submission that we would welcome Australia Post having a greater input into the delivery of financial services. We obviously see that as one of the solutions which could come out of this inquiry, for instance.

Mr PYNE—Would you say it was more cost effective for pensioners and superannuants, the people you represent, to stay at home and do phone banking that it would be to go by car, catch a bus or something like that to a bank or an outlet?

Mr Thomas—Given the fee structures which many of the banks are putting in place, and given that there is a much higher cost, three or four to one, for over-the-counter services as opposed to phone banking, that is most definitely the case. In the sort of material we have produced, which we have already forwarded to the committee, our banking guide called *Dollars and Cents*, we quite clearly point out the cheapness of those sorts of options for older people. We have been very active in encouraging people to look at these alternatives. While we understand that many people do not want to, we think that they seriously need to consider those sorts of options.

Mr PYNE—So are you saying that, if older people could be convinced of the ease of use of some of these new products that banks are offering, in fact it would be preferable for those people to be using those new services as opposed to keeping some of the over-the-counter shops open—

Mr Thomas—I think you need consider the desires of the people who are doing the banking. Many

people, for whatever reason, think they do get better quality service face to face. There are also issues in terms of delivery of not just banking advice but a range of government advice, for example, over the phone, which is often inadequate, confusing, misleading or is only partial advice. So I think we need to be stepping back and looking at that if we are thinking of moving people, for whatever reasons, to phone banking options. Part of the reason for the big uptake in phone banking is because other options are disappearing. We certainly see it as convenient, but it remains to be seen how much of a real choice it is for people. We see that it is a consideration for people once they get used to it.

There are problems with a lot of the phone banking systems we have looked at, but banks could make simple adaptations to the use of technology—for example, by having something where you could make the voice mechanism go a bit slower or you could repeat it or things like that. There are quite easy things that we think banks need to investigate to make sure that the technology works for older people and is not alienating. Unfortunately, there has not been a great deal of work on those sorts of issues, and that is why we spend a lot of our time talking with industry to convince them to address those issues. That is why this morning it was pleasing to hear the Bankers Association say that they wanted to set up a committee to look at issues such as demographic change and its impact on the delivery of banking services.

Our own organisation made that same recommendation in a report that we did for the Department of Social Security in 1993. We have been asking for a similar sort of action in the dozen or so meetings that we have had with the ABA since then. So it is good that there is finally some recognition that there needs to be some serious attention to these issues.

Mrs McGuire—I can just add one little thing to that, Mr Pyne. Encouraging older people to use electronic banking is fine and I would be the first one to say so. However, to use phone banking, eventually phone shopping or whatever over the phone increases the social isolation of older people, which of course eventually increases the cost to government because, when people become isolated like that, their health suffers. We know at the moment there are problems with nursing homes and also the changes to the hostel system where people cannot enter hostels just for social needs.

So we have to look at the fact that older people use banking, shopping and other things quite often for social reasons. I know one lady who walked down the street every day to get a paper. That was her social interaction. We need to look at those things as well.

Mr ANTHONY—It is a worry; she will probably be able to read the paper on the Internet now.

Mrs McGuire—I presume you are going to provide the computer, the infrastructure and the training.

Mr ANTHONY—I am interested in your comments, particularly on Australian Post, which Mr Pyne has referred to. I think there are some very salient points there because to some of us that seems to be the logical outlet to provide banking services, but it has to be a bit more user friendly.

In the final part of your report you talk about service protocols. I want to pick up this morning's comments from the Australian Bankers Association. Has there been any progress whatsoever with getting those protocols when banks want to take banks out regional areas?

Mr Thomas—Not as much as we would like. You may see a change of heart, I suppose, coming out of the sort of cooperative spirit of issues related to this inquiry, but certainly I was a bit surprised to hear Tony Aveling's comments about what such a smooth process closing a bank was. That was not our experience in terms of the sort of contract that is given to customers and the whole process of negotiation about alternatives. We have been involved in lobbying successfully to ensure that a couple of banks did not move out, but that took a hell of a lot of work from both the affected communities and groups like ourselves who decided to do a bit of lobbying. Not much has happened, but we live in hope.

Mr ALBANESE—Can you give some examples of where you have been successful in stopping that happening?

Mr Thomas—Not so much 'we'; it is obviously—

Mr ALBANESE—In terms of a part of a community action against the move.

Mr Thomas—Donald in Victoria is a prime example where at one stage—and I will mention the bank—the ANZ bank was moving out. They had had a number of heated meetings where people in the community did not feel they were getting anywhere and that the bank was not listening to them. They engaged a quite vigorous public campaign on this issue and had the whole town circled by people, et cetera.

The bank finally took another look at the issue and then realised that perhaps it could open and so it did that. Sometimes you wonder if the banks live in the real world, but it decided it could open the bank part time but it decided it would open every pension day—and it saw pension day when aged pensions were paid; it did not understand that service pensions are paid at alternate times. So we certainly had to then start lobbying and saying, 'This could be embarrassing for you. You need to understand this issue.' Now we understand it operates five days a week on limited times. So it would be useful to talk to people there. There is a Donald 2000 committee.

Mr WILTON—What is the population of the town?

Mr Thomas—I am not sure of that. I could get that information.

CHAIR—I just add that we have an invitation from Donald for the committee to visit.

Mr ANTHONY—Obviously, all pensions and social security payments go into a bank account. In the past there was a choice and you could receive cheques in the mail. Would you be advocating—and, obviously, there are problems with it—for people in areas where there are not banking facilities to receive a cheque or will that just create another problem?

Mrs McGuire—It could be helpful for some, so long as there is somewhere to cash it and it does not cost them anything to cash that cheque. That is another thing that happened in America. When you cash a so-called welfare cheque, you actually pay a percentage of that to cash it, and that would be something we would oppose vigorously.

Mr Thomas—The other difficulty with payment by cheque is that, firstly, you would see a very resistant Department of Social Security. I think it has gone up from 80 per cent that were paid into banks and now it is 99 per cent. It has been cost effective for government and consumers, and it is much more safe. So, despite the problems, there are real advantages for people on limited budgets in that the money goes in quicker. We will have to consider our options on that, I suppose.

Mrs McGuire—There could be a choice; however, as Gerard said, there are things like safety considerations. The department is very hard to convince that it should pay somebody by cheque. It took one of our members in Western Australia a long time to get his pension paid by cheque. He had made arrangements for it to be cashed, so he was determined that he would not pay a bank fee, and he got out of the bank and got his cheque. That has worked for him.

CHAIR—Are there any more questions? I thank you both very much indeed for another very valuable contribution to the committee. We certainly appreciate the time and effort you have made in coming along today.

Proceedings suspended from 2.51 p.m. to 3.17 p.m.

HEITMANN, Ms Debra Kaye, Chief Executive Officer, Australian Council of Businesswomen, Suite 10, Level 9, 100 Walker Street, North Sydney, New South Wales 2060

CHAIR—I welcome Ms Debra Heitmann from the Australia Council of Businesswomen to today's public hearing. I point out to you that the evidence that you give the committee at the public hearing today is considered to be part of the proceedings of the parliament and accordingly I advise you that any attempt to mislead the committee is a serious matter and could amount to a contempt of the parliament. The committee has received your submission; it is submission No. 37 and has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

Ms Heitmann—No, not at this time.

CHAIR—Would you like to make a brief opening statement before the committee poses some questions?

Ms Heitmann—Certainly. One of the solutions we see to this issue with rural Australia is the fact that it is about equitable use of information technology and people being able to access services such as Internet banking. It is a serious concern that banking and financial institutions are withdrawing from rural areas. Of course we have this huge problem of urban drift into the cities with women, particularly, not remaining in rural areas. As you are probably aware, women make about 80 per cent of the financial transactions of households and are playing an extremely important role in rural Australia.

We see that education is an extremely important part of this process, with older people generally being quite fearful about information technology and the uses of these types of mediums to access banking and finance facilities. Another thing of interest to us as well is the concept of mobile bankers because often the smaller banking arrangements or the credit unions are very good for personal banking transactions, but may not fit the specialised needs of rural business owners and operators—and, of course, the use of third party agencies to provide banking and finance services to rural communities.

CHAIR—You mentioned this fear of technology. How widespread is it and what would you suggest is the way it might best be overcome?

Ms Heitmann—I think there is a greater usage and take-up of information technology amongst women in rural areas in pockets. I think Queensland has a very good model at the moment. A group of academics have been using and trialling a service called We-link where women are able to access the Internet and have chat shows. That is being run out of the Queensland University of Technology.

Another interesting model that we have seen as well that has been working up there is one where mobile groups of people offering services are taking a van around to rural areas—covering quite lengthy distances from city areas. They have a number of computers set up in the back of the van to allow women to come in on a hands-on basis and start to use some of this technology. I think there is an even greater fear amongst older members of the community about information technology, and I suppose that is a cultural and societal thing. It is always interesting when you get grandkids with grandmothers. It seems to often open their eyes to the use of technology.

Mr PYNE—Is what you just described a telecottage or is a telecottage something else?

Ms Heitmann—A telecottage, I think, technically is something else. I just saw this as a very practical base of providing services and upskilling people in rural areas with the use of information technology and access to the Internet.

Mr PYNE—Can you describe a telecottage, because I do not know what a telecottage is?

CHAIR—I can describe it later if you want so we will not hold up the committee. Ms Heitmann, when you are talking about that, is that just one isolated case or is that being replicated in other areas?

Ms Heitmann—Not that I am aware of at this point in time, but then again I do not have full coverage. I know that the Foundation for Australian Agricultural Women and a number of those other groups are very interested in this usage, but I think there is quite a strong base with the information technology side at the moment currently in Queensland.

Mr MARTIN—One of the issues obviously that we are trying to come to grips with is just the size of rural communities in terms of when they reach a threshold below which it becomes uneconomic for services to be provided. It seems that, based on what has been said to us in the course of today and reading the submissions, there is no clearly defined definition of what that threshold might be in rural and regional Australia. Do you have some sort of a feeling for when, in those communities, it becomes untenable for services to be provided, including banking services?

Ms Heitmann—I suppose it is on the basis that banking institutions—and Telstra also—have shareholders, and I suppose there comes a time when the concept is that a concern is no longer profitable. I do not know. You would have to talk to the bankers on what they see as the usage numbers, but I am sure there are infrastructure costs that sit there that have to be picked up.

I think the reality is that you have a declining population and an urban drift—and I think that affects small to medium enterprises. It affects farmers, the number of farms, and there are all the issues of economic sustainability of the farming community as well. So I think that rural Australia at the moment is not a place that the next generation of children actually want to be when they see the hardship that their parents have been through, some of the difficulties of living on the land and competing in very competitive global markets.

Mr MARTIN—But that would account for the rural drift, as you say, and obviously it means then that the next level in some hierarchical arrangement of population centres gets an increase in people and indeed goes to the next level to state capital cities or whatever it might be. That being the case, a lot of those rural communities have for a long time perhaps had a bricks and mortar bank in operation. Over a period of time, the bank says, 'It's no longer economically viable for us. It's time we went.' I know you have made some suggestions that are based very much on technology. How successful do you think that might be in being implemented in those smaller communities to take the place of a bricks and mortar bank presence?

Ms Heitmann—I think there is another issue here of the concept of trialling third party arrangements, such as giving perhaps banking and finance services to one of the local business people as such—perhaps

franchising banking services even into those areas or centres. Again, it would have to be viable for the person who took on that arrangement as well. I think it would be very much governed by the actual population base in that area. Of course the issue then is that often those centres may not have the expertise to cater for the larger types of loans or arrangements that the primary producers demand. So I really do not know what the honest answer to all of this is.

Mr MARTIN—Reflecting back to the early 1990s, when issues of this nature were raised, people in rural Australia were saying that in a lot of cases rural people on farms and so on got into a lot of trouble because the bank managers were encouraging them to take out loans and all the rest of it. I just wondered whether passing on that responsibility to, say, the local accountant or the local small business person—well-meaning though that person may be—might not then have some other ongoing problems.

Ms Heitmann—That is probably a point. The other point is that often country folk, particularly some of the men on the land, tend to be quite close-lipped and do not want to share all of their financial information in a small country town. So you see them going to a larger centre to access that service to guarantee some basis of privacy.

Mr MARTIN—You also mention in here that to take the place of a banking service maybe credit unions could be encouraged to locate in smaller rural communities. What sorts of incentives do you think that government, for example, may have to put in place to ensure that that happens, given the Wallis committee report and the government's decision to try and extend the cash system in terms of cheque cashing to credit unions and so on. What else could be done?

Ms Heitmann—Credit unions were a suggestion at the time and we seemed to be looking at an interest in or a push into those areas. But again I suppose they are only very good for the personal services. Most of the major banks are the ones that seem to have the platform on the business banking area. So you have two very distinct needs for banking. You have the personal service arrangement, which I think information technology can solve some of the needs of—it is just a shame you cannot take money down the telephone—and then you have the other issue with the needs of the rural community with larger property concerns and more complex type financial transactions and the specialised needs of primary production as such.

Mr MARTIN—For my benefit, can you give us a quick background as to your organisation, the Australian Council of Businesswomen? What proportion of rural and regional business women would be part of this organisation?

Ms Heitmann—The organisation is a peak lobby group that was set up in November 1995 by the Labor government. After a period of time they put some seed funding into it. Westpac Banking Corporation took on and sponsored this organisation. It sits as a peak body, or as an umbrella over the group of about 700 women's networks in Australia. We have seen the same move to networks from women as we saw with the men's networks previously. It sits above those bodies as base—because those groups are fragmented and often lacking in resources—pulling together some of those views to try and influence policy and access resources at top end.

So we deal mainly through Pru Goward, the Office of the Status of Women, and of course have relationships between commercial entities, women's associations and women's networks, including rural women's networks. I would think probably at this point in time ACOB has a small proportion of their membership as rural women. But there are a lot of synergies between the Australian Council of Businesswomen and groups such as FAAW, AARE and CWA. ACOB attempts to always have the rural representation in any of these forums that are held at national or state level.

Mr MARTIN—Do you still have Westpac as your sponsor?

Ms Heitmann—Yes. I am actually on secondment from Westpac at the moment, for 12 months in that hat.

CHAIR—Following one of the comments you made a minute ago that children of the next generation are pulling out and heading for the city and so on, I guess that is not totally new. The question is: is the return rate dropping off as well? A lot would go to the city for quite a few years, to study or whatever, and then gradually come back and set up a career in country areas. Do you have any feel or numbers or anything to show that this is a different trend to what it was a couple of decades ago?

Ms Heitmann—I think there is an even greater issue than this. I think the simple fact of succession planning is a massive issue for rural communities. We are currently seeing people who are asset rich and cash poor and no future. Often businesses are not even sustainable in some cases. We are seeing a move to bigger, more profitable businesses. I do not have any statistics as such but, having worked amongst various of these sectors in the banking industry and on the board of FAAW and with the Australian Council of Businesswomen, I do not think that rate is slowing in any shape or form.

I do not have any statistics as such but, having worked amongst various of these sectors in the banking industry and on the board of FAAW and with the Australian Council of Businesswomen, I do not think that rate is slowing in any shape or form. I think the march is still very much that the urban drift is there. I, too, come from that background and I would no more go back than fly.

CHAIR—That is putting it very bluntly.

Mr CAUSLEY—Rural businesses are getting bigger and they have to get bigger if they are going to compete in the economic world. How could you then follow on from that with succession planning? You are talking about welfare for rural areas, are you?

Ms Heitmann—I do not advocate increasing welfare for rural areas because the public purse is limited. The money is not there. I think it is about upskilling people to be able to take control of their own destiny and run profitable businesses as such. So it is about economic sustainability and, if at a point in time that business is no longer viable, looking at some arrangements to be made for either the realisation of that asset or it moving into a larger type concern. There are a number of industries such as dairy and sugar currently at the moment that are doing very well. I think the days of smaller farms are numbered.

Mr CAUSLEY—We have had quite a bit of evidence to say that some of the new technologies are

proving to be fairly difficult to implement in regional and rural Australia. The government has got an infrastructure fund. I do not know whether you have had a close look at that or whether you would have any comments. Obviously there would be more need for computers and modems, et cetera, for people to access some of these facilities and probably upgrading of the infrastructure as well.

Ms Heitmann—I totally agree with that. For example, according to women all around Australia who are actually spending time on the Internet through the initiative of We-link in Queensland, a real problem is the equitable use of access to information technology services and the costs of making calls and getting services that operate and that do not drop out.

It was quite interesting that a lot of those women who are taking that up would be from their 30s, 40s and 50s. You have some amazing women sitting in rural areas who, for whatever reason, have gone back, are educating kids and encouraging very actively the use of information technology. Whilst there might be a little bit of resistance amongst the older people who have lost track of technology or never had access to it, I think in the age group of women in their 20s, 30s, 40s, and 50s I am seeing a marked need to take up and use that technology as a basis for reducing isolation. I have been amazed at some of the discussions that I am privy to in those forums.

Mr CAUSLEY—You mentioned the cost of a call, which probably goes to the subject of all costs. I dare say we can assume in this world anyway that there will be a charge for all services in the future. Have you got any documentation at all about the costs of providing these services to rural areas apropos city or something like that? Is there any evidence of that?

Ms Heitmann—The only thing that I could get access to is the work that has been done through Queensland. That is just purely on a regional basis. I do not have anything currently on a national basis that I could access. Is that of any use to you?

Mr CAUSLEY—It could be. Obviously we talk about costs but it is a matter of identifying what the costs actually are.

Ms Heitmann—I would be willing to try to find some of that for you.

Dr SOUTHCOTT—Ms Heitmann, what would be wrong in a small town with just having access to financial transactions through Australia Post in a giant post sort of organisation and the business finance can be accessed more through a regional centre? Do you anticipate any problems with that?

Ms Heitmann—Probably practically no, provided people are able to make deposits. I think there is a general lack of understanding that a hole in the wall can accept money. It is the concept very much of user pays. The days of having people face to face is a luxury that only those businesses who can afford to pay will have. I think it is about an education process of people and the basis of how those services are provided. It is about teaching people how to access and use these services.

Dr SOUTHCOTT—One of the things the banks mentioned is that there are very few places where there are ATMs where there is not already a bank. In a town where you do not have a bank then probably

what you do need, to have access to deposits, is something like Australia Post.

Ms Heitmann—That is right—an agency where it can be accepted. Maybe we should put pressure on the banks to provide a few more of the ATM facilities.

CHAIR—In your submission you talk about an example in Northern Ireland where a group of women applied for an EC grant to fund training and computer skills and now operates a call centre for major corporations. That is a fantastic story. I have been keen to try to get people to take up this call centre concept of providing jobs in regional areas. It happens a bit in Australia, as you know.

Mr MARTIN—What about in Wollongong?

CHAIR—It happens to bigger centres. Sure, it could happen in Wollongong, Launceston and Ballarat—those sorts of places. Telstra has centres in places like Hamilton too, but they are not getting as many into the smaller cities.

Ms Heitmann—Isn't that an education process though of actually explaining to people the benefits of usage?

CHAIR—Maybe it is.

Ms Heitmann—Yes. I would see that as extremely important to actually explain the benefits because people do not often know these services are available.

CHAIR—The example in Northern Ireland—you did say there are some details.

Ms Heitmann—I am able to provide some. I do not have details with me.

CHAIR—We would very much appreciate it. It is a very interesting story.

Ms Heitmann—Yes.

Mr WILTON—I thought you might like to summarise in brief form the major problems confronting your members in terms of the banking issues in rural and regional areas. Just by way of conclusion, could give us a prioritised overview?

Ms Heitmann—I would like to see the equitable use of information technology being available for people to use services such as Internet banking; the concept perhaps of third party arrangements where people can provide some of those banking and finance services; and of course an education process that is not done just by governments but with the banking community and some of the local councils and the chambers of commerce in those areas involved in that process as well, to be able to tell people about the types of facilities that are available and to upskill them in the use of information technology.

CHAIR—Thank you. If there are no further comments or questions, thank you very much for that.

That has been a very valuable contribution and we really appreciate the time you have given to come along today.

Proceedings suspended from 3.38 p.m. to 3.56 p.m.

JORDAN, Ms Beverley Anne, Economist, New South Wales Farmers Association, GPO Box 1068, Sydney, New South Wales

CHAIR—I welcome Ms Beverley Jordan from the New South Wales Farmers Association to today's public hearing. Before we start I would remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of the parliament and accordingly I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of parliament. The committee has not yet received your submission, which I believe you have with you. Do you have something you would like to table now?

Ms Jordan—It could be tabled now if that is what you would prefer.

Resolved (on motion by **Mr Anthony**, seconded by **Mr Wilton**):

That this committee authorises publication of the New South Wales Farmers Association submission.

CHAIR—Would you like to make an opening statement?

Ms Jordan—In the first instance I would like to say that the association welcomes the opportunity to make a submission. We recognise that the committee is aware of the importance that the rural community attaches to the need to identify alternative means for providing banking and like services. I think the committee is aware of the import and the costs and impacts that the rural community has experienced with the closure of the branch networks. I would like to move to drawing out what the association regards as some of the more vital points.

It is our belief that it is through the improvement of competition and the competitive pressures that the provision of services to the regional community will be addressed. Whilst we recognise that the impending reforms proposed by the Wallis inquiry will go some way towards doing this, we believe that it is imperative that these measures are facilitated and supported. Under deregulation to date, there is evidence that retail banking has not enjoyed the flow of benefits from competition to the same extent as other sections have. We believe that it is those competitive pressures that will assist in providing the types of services that the regional community requires.

Of major concern to the association has been the extent to which the loss of services in local areas has occurred through bank branch closures and, we believe, through the policy of centralising key decision making in urban centres. We would contend that the causal relationships between shrinking rural communities and the decline of services are extremely difficult to unravel. The pull of urban centres has long been recognised, and it is a moot point as to whether it is the shift of population that leads to the decline in services or vice versa. Certainly it is a spiral which, once started, is exacerbated by the removal of services.

It is clear that the removal of government services has been a contributing factor, but I think it is also fair to say that what is driving the closures of branches is the fact that they are a relatively costly way to deliver banking services and that the outlook is for further closure.

Therefore, we endorse the calls that have been made for the banks, through their association and in consultation with the communities, to put in place a transparent code of practice for bank closures and that that should cover a commitment to ensure adequate access to alternative channels. We believe that experience shows that the banks have neither given communities adequate notice and time in which to arrange alternatives nor always taken steps to ensure that alternatives are available. There are numerous anecdotal examples of this. To some extent, they have been exacerbated by the centralisation of banking decision making.

One area that we would also urge the committee to look at is the way in which consumer protection could be strengthened. There is increasing use of bank fees in order to place disincentives against customers using particular channels. We believe, if there is not an effective means of consumer protection which, for example, looks at the rapid rise in those fees and the way those fees are applied when alternative measures are not available, that the innate relationship between the consumer and the banking institute leaves the consumer unfairly powerless to act against that.

As far as available alternative delivery mechanisms go, the Wallis inquiry, for example, placed a lot of emphasis—and the banks have followed that—on the ability of technology to deliver or to act as an alternative channel for service delivery. We believe this is something that will be very much in the future and is not available currently to rural communities. I am sure the committee is aware that the infrastructure does not exist in most rural centres. We believe that one of the most effective measures of assistance would be to ensure that that infrastructure is put in place fairly quickly. I think I had better confine my comments.

CHAIR—That was very good, thank you. You put up a couple of very interesting points. You talk about a code of practice, which is something new and the committee has not had put to it before today. Do you have in mind some of the points, particularly time frames, that that might involve?

Ms Jordan—Yes. Experience has shown that the banks usually give notice of between three and six weeks. As far as postal services, et cetera, go, that is inadequate for most rural customers, particularly business customers, to make alternative arrangements. The time frame that we had in mind was up to three months during which time customers would have the opportunity to make alternative personal arrangements and the community would also have a more adequate time frame in which to organise itself to provide alternatives or to access alternatives.

CHAIR—In your opening remarks you also made the observation that the rural sector has not benefited from competition to the extent of other areas. Have you been able to quantify that at all or is that an observation?

Ms Jordan—There are Reserve Bank figures available which, whilst they do not focus particularly on rural lending, draw the analogy for small business, and a large proportion of the farm business community is small to medium sized enterprises. What their figures have shown is that whilst, for example, home lending has seen margins reduce from three per cent to about 1.7 per cent, small business margins have stayed constant during the same period at around five per cent. I think another example of the way in which there is relatively little competitive pressure is in passing on changes to monetary policy—in other words, the reduction in cash interest rates filters through very slowly.

Mr ANTHONY—You have raised some good points in your first page. This inquiry is into the effects of the closure of banks, but you very eloquently pointed out that the farming community has been getting the rough end of the pineapple for quite some time. I am interested in your comments regarding equity levels. You are saying that if the banks are looking at risk in farming communities there is not much risk, because in your study there is better than 90 per cent equity—correct me if I am wrong—whereas average equity levels in 1997 were 87 per cent. Correct me if I am wrong, but the risk profile from your data is quite low in rural areas because they have not got high levels of debt. Yet they are still being charged much higher levels of interest rates on their business borrowings, plus it is taking 35 days to filter through rather than 16 days for mortgage rates when there is a reduction and they do not have a banking service. If you have some back-up data, it would be very useful if you could supply that to the committee when we visit some of the banks. I notice it came from your submission to the Wallis inquiry, but it would be quite good if you could supply that in due course.

Ms Jordan—I can certainly undertake to do that. That is based on figures published by ABARE as a result of their farm finance surveys. What those figures suggest is that, whilst the gearing by farmers is declining because the trend figures suggest that the equity profile is changing such that equity is declining, it shows that for broadacre farming equity is skewed heavily towards greater than 70 per cent. What that means, I believe, is that the risk of loss of the principal is relatively low. But I should hasten to add that that is not obviously the only factor that you would look at when determining risk. It is certainly our belief that what goes into the risk margins is a pretty high information cost that reflects the unpredictability of both the seasonality of agriculture and the commodity cycles.

Mr ANTHONY—The concern is the ageing population and also a dwindling population. That is obviously the case in a lot of smaller communities but, from your submission, it is not that big compared to the national average. You have 1.06 per cent population growth in rural Australia, and the national average is 1.18 per cent.

Ms Jordan—Our point is that rural populations are not showing a major decline, on average; that, in fact, it is extremely patchy. With the shift in rural populations, yes, there are—

Mr CAUSLEY—The bigger centres are growing rapidly?

Ms Jordan—The bigger centres and the areas within a certain radius of them are growing. It is also fair to say that along the east coast there is growth, and that the pattern of bank closures does not necessarily hinge on the decline of the rural or the town population.

Mr CAUSLEY—I wonder whether someone else might have done some studies on the vital figures that we are talking about—the ledger, if you like, as to what savings have been achieved out of competition with the reductions in interest rates as opposed to cost to the rural communities. The New South Wales Farmers have not done anything along those lines. Do you know if anyone else has done anything along those lines?

Ms Jordan—In terms of the balance or the trade-off between costs?

Mr CAUSLEY—I suppose, yes. The savings, such as in interest rates, which supposedly were to be achieved from the competition policy as opposed to extra costs that are added on to. There is a balance there somewhere, and the figures on that would be very valuable.

Ms Jordan—I am not aware of any formal studies that have been done on that.

Mr CAUSLEY—We have had evidence from other people to say that obviously this wave is not going to change—it is going to roll on—and that there is a need for education for people to access even more modern technologies. Are the New South Wales Farmers in a position to facilitate that education?

Ms Jordan—I do not believe the association would be in the position to take on that role. We obviously would be in a position to facilitate it, but it is not a role that the association would be able to fulfil.

Mr CAUSLEY—I think you mentioned in your initial statement about the infrastructure, which has been raised too by other witnesses. Are the government's infrastructure package and the AAA package, which talks about education and computers et cetera as modern methods of management in farming, helpful? Do you think they could be expanded? Do you have a comment on those?

Ms Jordan—The thrust of the AAA package is to provide education and training that would assist farmers in adjusting off the land and that would also assist in acquiring skills that would improve the competitive edge. To my knowledge, those programs are insufficiently funded to achieve those ends. Whilst they might prove an adequate vehicle in the sense that the program provides the means to address this issue, I do not believe that they, on their own, will provide the level of education that is required. But I do not believe that that is the real issue. I think for most of regional and remote Australia, the communications infrastructure does not exist that would allow the provision of particularly business banking services.

Dr SOUTHCOTT—Can I just elaborate on that? Can you say that, in most of regional Australia, the telephone service is not good enough for Internet banking, or is it just more in western New South Wales? What about coastal New South Wales?

Ms Jordan—There are areas throughout New South Wales where the infrastructure is not adequate to allow data transfer. Obviously the reliability of the telephone service is worse, shall we say, in the western areas. But there are areas throughout New South Wales and, I believe, large areas of Australia where the requirement for data transfer does not exist.

Dr SOUTHCOTT—The bank associations are saying that 40 per cent of their telephone banking comes from rural areas. GiroPost have said that about 40 per cent their services are in rural areas. So, obviously, a lot of these alternative services are already being used now.

Ms Jordan—As far as telephone banking goes, that is my understanding: that that is directed towards personal banking. Yes, there has been a high uptake of it, but it could be argued that that is because the branch network services have in fact been removed.

What it does not provide is an adequate closing of the business gap. It allows you to check balances

and to undertake a low volume of bill payments, for example, but it does not adequately serve with loan applications. For example, it would prove to be a particularly difficult way to resolve disputes regarding loan facilities.

Dr SOUTHCOTT—Regarding business finance for agribusiness and so on, is there anything wrong with having that coming out of regional centres?

Ms Jordan—It is the extent to which the regional centres are able to service the demand and requirement. There is a fairly low level of discretion given. It is the centralising of that decision making that makes it difficult for farmers, most particularly, to, again, deal with disputes and also to react as quickly as they might like.

There is no difficulty per se with it being dealt with from regional banks. I think it is the level of discretion and the level of service that is provided. It is the loss of familiarity with local conditions and the loss of skills, knowledge and background information regarding the sector that make the confidence in the relationship difficult and, I think, the negotiation of terms and the provision of products that are suited to the agribusiness condition.

Dr SOUTHCOTT—By the same token, you could argue that small business lending or business lending is a very specialised area. Could that not be an area where you do require some specialisation and it would be unrealistic to expect that you would have people in very small centres who are able to assess each loan application?

Ms Jordan—I obviously have not expressed it well. Exactly what we are arguing for is an increased level of specialisation and knowledge of the industry. We believe that that should be sited at regional centres so that there continues to be the local knowledge of conditions. We are not opposed to that business banking occurring in regional centres. It is the level of discretion that we understand to be available at regional centres that we have problems with.

Mr CAUSLEY—In discussions have you picked up how quickly farmers are embracing computer technology in their management practices? Are they embracing it quickly or are they slow to pick it up?

Ms Jordan—I think they are embracing it quickly. I have seen some information on that which I can provide the committee with. But, yes, farmers tend to be receptive to technological advances. As with other technological improvements, they have been quick to take up computers. I think the figures, as far as telephone banking goes, show a reasonable level of uptake.

CHAIR—The ABA, the Australian Bankers Association, in its written submission proposed a working group made up of government agencies, Australia Post, other financial institutions and people who have an interest in looking for a possible way of improving services to smaller centres in regional areas. Would the New South Wales Farmers Association see itself having a role in such a working group if it were to be set up?

Ms Jordan—Yes, I think the association would welcome the opportunity to be part of that group. I

think it is imperative that a group like that has wide representation amongst the rural communities whose services it is considering.

Mr ANTHONY—You mentioned that you generally pay itinerant workers in the horticulture industry cash. How are they coping since the banks have shut down? They now have to bring heaps of cash onto the farm from a couple of hundred of kilometres away. What has been their experience?

Ms Jordan—They are finding it extremely difficult. Again, this is largely anecdotal, but some of those difficulties exist even in centres where there are remaining banks open—there may be one or two open—and there are no electronic services available, for example. The fee incentives are such that the farmers are incurring large costs for using cheques. They are obviously experiencing huge difficulties, having to revert to carrying large amounts of cash or incurring additional costs with security and also record keeping themselves. Instead of being able to cash one cheque, they are now having to process cheques for each worker.

CHAIR—I think we have had a pretty good hearing on all of that. Thank you very much for coming along.

Resolved (on motion by **Mr Wilton**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 4.28 p.m.